

LEGAL ASSISTANCE OF WESTERN  
NEW YORK, INC.

Grantee No. 233130

Financial Statements and  
Supplementary Information

December 31, 2017

(With Independent Auditors' Report Thereon)

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Legal Assistance of Western New York, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Legal Assistance of Western New York, Inc. (LAWNY) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LAWNY's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LAWNY's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Assistance of Western New York, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards (schedule 3), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Report on Summarized Comparative Information

We have previously audited LAWNY's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2018, on our consideration of LAWNY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LAWNY's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 24, 2018

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Financial Position  
December 31, 2017  
with comparative totals for 2016

	<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:			
Cash and equivalents:			
Operating		\$ 1,272,628	791,369
Restricted		35,140	30,504
Total cash and equivalents		<u>1,307,768</u>	<u>821,873</u>
Client escrow funds		43,610	28,216
Receivables		1,516,332	1,684,591
Prepaid expenses		101,928	97,408
Total current assets		<u>2,969,638</u>	<u>2,632,088</u>
Property and equipment, at cost:			
Building and improvements		-	154,605
Furniture and equipment		282,202	384,283
Leasehold improvements		241,314	241,314
		<u>523,516</u>	<u>780,202</u>
Less accumulated depreciation		<u>(398,996)</u>	<u>(562,509)</u>
Net property and equipment		<u>124,520</u>	<u>217,693</u>
Total assets		<u>\$ 3,094,158</u>	<u>2,849,781</u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable and accrued expenses		1,090,056	1,070,642
Client trust deposits		43,610	28,216
Deferred grant revenue		79,921	173,284
Total current liabilities		<u>1,213,587</u>	<u>1,272,142</u>
Net assets:			
Unrestricted		205,641	569,839
Temporarily restricted:			
Legal Services Corporation		82,804	16,563
Other		1,592,126	991,237
Total temporarily restricted		<u>1,674,930</u>	<u>1,007,800</u>
Total net assets		<u>1,880,571</u>	<u>1,577,639</u>
Commitments (note 10)			
Total liabilities and net assets		<u>\$ 3,094,158</u>	<u>2,849,781</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Statement of Activities

Year ended December 31, 2017

with comparative totals for 2016

	Temporarily Restricted				Total	
	Unrestricted	Legal Services Corporation	Other	Total temporarily restricted	2017	2016
Revenue and other support:						
Grants and contracts	\$ 355,968	1,838,112	9,521,378	11,359,490	11,715,458	10,774,237
Donated services	67,502	-	-	-	67,502	69,611
Attorney fees	-	-	15,200	15,200	15,200	26,664
Interest income	-	236	847	1,083	1,083	670
Gain on sale of property and equipment	54,790	-	-	-	54,790	-
Other	2,319	26,939	42,587	69,526	71,845	79,025
Net assets released from restrictions through satisfaction of program restrictions	<u>10,778,169</u>	<u>(1,799,046)</u>	<u>(8,979,123)</u>	<u>(10,778,169)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>11,258,748</u>	<u>66,241</u>	<u>600,889</u>	<u>667,130</u>	<u>11,925,878</u>	<u>10,950,207</u>
Expenses:						
Program services	10,036,930	-	-	-	10,036,930	9,813,429
Management and general	<u>1,586,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,586,016</u>	<u>1,342,556</u>
Total expenses	<u>11,622,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,622,946</u>	<u>11,155,985</u>
Increase (decrease) in net assets	(364,198)	66,241	600,889	667,130	302,932	(205,778)
Net assets at beginning of year	<u>569,839</u>	<u>16,563</u>	<u>991,237</u>	<u>1,007,800</u>	<u>1,577,639</u>	<u>1,783,417</u>
Net assets at end of year	<u>\$ 205,641</u>	<u>82,804</u>	<u>1,592,126</u>	<u>1,674,930</u>	<u>1,880,571</u>	<u>1,577,639</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Functional Expenses  
Year ended December 31, 2017  
with comparative totals for 2016

	Program <u>services</u>	Management <u>and general</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Personnel expenses:				
Lawyers	\$ 4,067,404	777,313	4,844,717	4,710,277
Paralegals	1,737,992	-	1,737,992	1,613,839
Other staff	436,706	292,194	728,900	693,665
Payroll taxes and employee benefits	<u>2,022,616</u>	<u>336,467</u>	<u>2,359,083</u>	<u>2,188,121</u>
Total personnel expenses	<u>8,264,718</u>	<u>1,405,974</u>	<u>9,670,692</u>	<u>9,205,902</u>
Other expenses:				
Occupancy	483,672	85,689	569,361	569,160
Equipment rental and maintenance	27,594	4,889	32,483	32,670
Office supplies and expenses	127,059	22,510	149,569	178,694
Telephone and internet	84,224	14,921	99,145	81,199
Travel	143,032	7,373	150,405	150,882
Training	54,320	9,624	63,944	104,027
Library	53,390	9,459	62,849	51,014
Insurance	48,780	8,642	57,422	48,664
Donated services	67,502	-	67,502	69,611
Dues and fees	52,539	9,308	61,847	40,897
Professional fees	14,200	-	14,200	13,900
Litigation	5,144	-	5,144	2,585
Contract services to clients	72,185	-	72,185	72,185
Contract services to program	467,949	2,278	470,227	441,772
Depreciation	40,432	-	40,432	44,617
Other	<u>30,190</u>	<u>5,349</u>	<u>35,539</u>	<u>48,206</u>
Total other expenses	<u>1,772,212</u>	<u>180,042</u>	<u>1,952,254</u>	<u>1,950,083</u>
Total expenses	<u>\$ 10,036,930</u>	<u>1,586,016</u>	<u>11,622,946</u>	<u>11,155,985</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Cash Flows  
Year ended December 31, 2017  
with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 302,932	(205,778)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	40,432	44,617
Gain on sale of property and equipment	(54,790)	-
Changes in:		
Receivables	168,259	443,431
Prepaid expenses	(4,520)	84,420
Accounts payable and accrued expenses	19,414	98,462
Deferred grant revenue	<u>(93,363)</u>	<u>61,524</u>
Net cash provided by operating activities	<u>378,364</u>	<u>526,676</u>
Cash flows from investing activities:		
Additions to property and equipment	(10,469)	(6,999)
Proceeds from sale of property and equipment	<u>118,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>107,531</u>	<u>(6,999)</u>
Net increase in cash and equivalents	485,895	519,677
Cash and equivalents at beginning of year	<u>821,873</u>	<u>302,196</u>
Cash and equivalents at end of year	<u>\$ 1,307,768</u>	<u>821,873</u>
Supplemental schedule of cash flow information:		
In-kind revenue	<u>\$ 67,502</u>	<u>69,611</u>
In-kind expense	<u>\$ 67,502</u>	<u>69,611</u>
Disposal of fully depreciated property and equipment	<u>\$ 203,945</u>	<u>49,480</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements

December 31, 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Legal Assistance of Western New York, Inc. (LAWNY) is a non-profit corporation organized for the purpose of providing legal assistance in non-criminal proceedings or matters to persons financially unable to afford legal assistance in the Western New York area. LAWNY was formed when Southern Tier Legal Services and Chemung County Neighborhood Legal Services, Inc. merged with Monroe County Legal Assistance Corp. in February 2004. In connection with the merger, the name of the corporation was changed from Monroe County Legal Assistance Corp. to Legal Assistance of Western New York, Inc.

(b) Basis of Accounting

The accompanying financial statements of LAWNY have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, LAWNY reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. LAWNY has no permanently restricted net assets; accordingly, net assets of LAWNY and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of LAWNY and/or the passage of time.

(d) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For purposes of reporting cash flows, LAWNY considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations of Credit Risk

Financial instruments that potentially subject LAWNY to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(g) Receivables and Bad Debts

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost. Property and equipment acquired with LSC funds (including leasehold improvements) are considered to be owned by LAWNY while used in the program or in future authorized programs. However, LSC retains a reversionary interest in these assets, as well as the right to determine the use of any proceeds from the sale of assets purchased with its funds. LAWNY follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation of property and equipment is computed on a straight-line basis over the estimated service lives of the assets (ranging from 5 to 40 years).

(i) Impairment of Long-Lived Assets

LAWNY reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the asset's carrying value over its estimated fair value. No impairment loss has been recognized by LAWNY for the years ended December 31, 2017 and 2016.

(j) Compensated Absences

Employees accumulate a limited amount of earned but unused vacation time. LAWNY is obligated to pay employees these benefits upon termination or retirement. Compensated absences included in accounts payable and accrued expenses amounted to \$402,877 and \$400,107 at December 31, 2017 and 2016, respectively.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statement of financial position as deferred revenue.

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursements to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

(l) Donated Personal Services

Donated personal services meeting the requirements for recognition in the financial statements are reflected in the accompanying statements at their estimated fair market value at the date of receipt. Many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

(m) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) Income Taxes

LAWNY is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. LAWNY has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. LAWNY presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that LAWNY has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by LAWNY are subject to examination by taxing authorities.

(o) Subsequent Events

LAWNY has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(2) Receivables

Receivables amounted to \$1,516,332 and \$1,684,591 at December 31, 2017 and 2016, respectively. These receivables represent the amounts LAWNY was due from funding sources for expenditures incurred or services rendered in excess of payments received. The following details the receivables as of December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
New York State Office of Court Administration	\$ 186,281	9,408
New York State Interest on Lawyer Account Fund	255,794	179,994
U.S. Department of Housing and Urban Development	-	74,500
Community Service Society of New York	155,827	119,334
Wayne County	96,865	62,536
NYS Solutions to End Homelessness	75,752	91,024
Empire Justice Center	245,531	266,777
New York State AmeriCorp (Regional)	77,158	102,683
Legal Services Corporation	32,750	132,805
Cattaraugus County	127,280	90,111
New York State Department of Law	-	112,312
Hunger Solutions New York, Inc.	51,645	93,625
Other	<u>211,449</u>	<u>349,482</u>
	\$ <u>1,516,332</u>	<u>1,684,591</u>

(3) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
For purposes specified in various grants	\$ 1,592,126	991,237
To be used only with consent from LSC	<u>82,804</u>	<u>16,563</u>
Total temporarily restricted net assets	\$ <u>1,674,930</u>	<u>1,007,800</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(4) Summary of Funding

The LSC grant (number 233130) with LAWNY provided basic annualized funding of \$1,665,332 and \$1,663,918 for the years ended December 31, 2017 and 2016, respectively. Also, LAWNY recognized revenue in the amount of \$172,780 and \$140,300 for the years ended December 31, 2017 and 2016, respectively, in connection with the technology initiative grants (numbers 14060, 15044, 15059, 16052 and 16053) received from LSC. Additionally, LAWNY recognized revenue in the amount of \$69,793 for the year ended December 31, 2016, in connection with the pro bono initiative fund grant (number PB14018) received from LSC. There were no pro bono initiative funds recognized for the year ended December 31, 2017. The LSC funds are restricted, to be used only for purposes authorized under the Legal Services Corporation Act of 1974, as amended.

(5) Note Payable - Line of Credit

LAWNY has a \$750,000 line of credit with Canandaigua National Bank bearing interest at the prime rate plus 1.5%. At December 31, 2017 and 2016, there were no outstanding balances on the line of credit.

(6) Pension Plan

LAWNY has an employee retirement plan covering substantially all employees who work at least 17.5 hours per week. The plan is qualified as tax exempt by the Internal Revenue Service. Contributions to the plan are discretionary and are determined by the LAWNY Board of Directors. The plan was funded in the amount of \$119,016 and \$107,598 for the years ended December 31, 2017 and 2016, respectively.

(7) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses in satisfaction of program restrictions for the years ended December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
LSC programs	\$ 1,799,046	2,021,553
AmeriCorps	436,580	443,714
Fair Housing Initiative Program	302,355	326,372
Disability Law Project	343,407	318,914
Interest on lawyer accounts	678,276	862,955
Public defenders	457,105	417,709
Other programs	<u>6,761,400</u>	<u>6,189,245</u>
Total net assets released from restrictions through satisfaction of program restrictions	<u>\$ 10,778,169</u>	<u>10,580,462</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(8) Recipient Fund Balance

LAWNY, as a stipulation in its contract with LSC, may not expend LSC funds carried over from one year to the next in excess of 10% of LSC support. For the year ended December 31, 2017, LSC funds carried over from 2016 did not exceed 10% of LSC support.

(9) Private Attorney Involvement

LAWNY, as a stipulation of its contract with LSC, is required to expend an amount equal to at least 12.5% of its LSC annualized basic field award towards a Private Attorney Involvement Program (PAI). For 2017, 12.5% of LSC's basic field award of \$1,665,332 amounted to \$208,167. During 2017, LAWNY expended \$372,825 (22.4%) for this purpose. A summary of PAI related expenditures for 2017 is as follows:

Personnel	\$ 260,689
Contract services to client	72,185
Occupancy	13,925
Other	<u>26,026</u>
Total PAI related expenditures	\$ <u>372,825</u>

LAWNY awarded \$72,185 of LSC funds to Volunteer Legal Services Project of Monroe County, Inc. (VLSP) which is included above in contract services to client. VLSP has agreed to provide legal representation through volunteers to not less than 200 persons and brief assistance, consultation and advice to not less than 450 persons in Monroe County who meet financial and other eligibility criteria, as established by LSC.

(10) Commitments

LAWNY leases office space located in Rochester, Geneva, Olean, Elmira, Bath, Jamestown and Ithaca, New York under operating leases that expire at various dates through January 2023. Total rent expense amounted to \$455,450 and \$440,661 for the years ended December 31, 2017 and 2016, respectively, and is included in occupancy expense in the accompanying statement of functional expenses. The following is a schedule of future minimum rental payments required under these lease arrangements:

2018	\$ 538,588
2019	511,354
2020	335,171
2021	211,688
2022	213,882
Thereafter	<u>17,852</u>
	\$ <u>1,828,535</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(11) Economic Dependency

A material part of LAWNY's funding is dependent upon a few grants, the loss of any one would have a material adverse effect on LAWNY. For the years ended December 31, 2017 and 2016, Legal Service Corporation (LSC), New York State Interest on Lawyer Account Fund (IOLA) and New York State Office of Court Administration (OCA) programs accounted for 63% and 70%, respectively, of LAWNY's total revenue.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Revenue, Expenses and Changes in Net Assets for LSC Funds  
Year ended December 31, 2017

	<u>Basic Field Grant</u>	<u>Private Attorney Involvement</u>	<u>Technology Initiative Grants</u>	<u>Other LSC</u>	<u>Property</u>	<u>Total</u>
Revenue:						
Grants and contracts	\$ 1,292,507	372,825	172,780	-	-	1,838,112
Interest income	-	-	-	236	-	236
Other	-	-	-	26,939	-	26,939
	<u>1,292,507</u>	<u>372,825</u>	<u>172,780</u>	<u>27,175</u>	<u>-</u>	<u>1,865,287</u>
Total revenue						
Expenses:						
Personnel expenses:						
Lawyers	207,909	160,904	325	20,757	-	389,895
Paralegals	69,321	26,682	3,355	-	-	99,358
Other staff	264,840	16,663	-	-	-	281,503
Payroll taxes and employee benefits	443,907	56,440	-	6,182	-	506,529
	<u>985,977</u>	<u>260,689</u>	<u>3,680</u>	<u>26,939</u>	<u>-</u>	<u>1,277,285</u>
Total personnel expenses						
Other expenses:						
Occupancy	117,018	13,925	-	-	-	130,943
Equipment rental and maintenance	8,462	723	-	-	-	9,185
Office supplies and expenses	30,016	5,225	-	-	-	35,241
Telephone and internet	12,036	3,389	-	-	-	15,425
Travel	10,651	8,685	-	-	-	19,336
Training	4,137	1,638	-	-	-	5,775
Library	8,164	2,066	-	-	-	10,230
Insurance	9,193	1,616	-	-	-	10,809

(Continued)

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Revenue, Expenses and Changes in Net Assets for LSC Funds, Continued

	<u>Basic Field Grant</u>	<u>Private Attorney Involvement</u>	<u>Technology Initiative Grants</u>	<u>Other LSC</u>	<u>Property</u>	<u>Total</u>
Expenses, continued:						
Other expenses, continued:						
Professional fees	\$ 4,275	-	-	-	-	4,275
Litigation	1,123	228	-	-	-	1,351
Contract services to clients	-	72,185	-	-	-	72,185
Contract services to program	6,967	2,456	169,100	-	-	178,523
Depreciation	-	-	-	-	22,902	22,902
Other	5,581	-	-	-	-	5,581
Total other expenses	<u>217,623</u>	<u>112,136</u>	<u>169,100</u>	<u>-</u>	<u>22,902</u>	<u>521,761</u>
Total expenses	<u>1,203,600</u>	<u>372,825</u>	<u>172,780</u>	<u>26,939</u>	<u>22,902</u>	<u>1,799,046</u>
Increase (decrease) in net assets	88,907	-	-	236	(22,902)	66,241
Net assets (deficit) at beginning of year	<u>(363,137)</u>	<u>-</u>	<u>-</u>	<u>544,434</u>	<u>(164,734)</u>	<u>16,563</u>
Net assets (deficit) at end of year	<u>\$ (274,230)</u>	<u>-</u>	<u>-</u>	<u>544,670</u>	<u>(187,636)</u>	<u>82,804</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Statement of Revenue, Expenses and Changes in Net Assets for LSC-TIG Funds  
Year ended December 31, 2017

	Grant Number <u>14060</u>	Grant Number <u>15044</u>	Grant Number <u>15059</u>	Grant Number <u>16052</u>	Grant Number <u>16053</u>	<u>Total</u>
Revenue - grants and contracts	\$ 9,449	8,231	81,350	43,000	30,750	172,780
Expenses:						
Personnel expenses:						
Lawyers	113	-	212	-	-	325
Paralegals	336	606	1,888	25	500	3,355
Total personnel expenses	449	606	2,100	25	500	3,680
Other expenses - contract services to program	9,000	7,625	79,250	42,975	30,250	169,100
Total expenses	9,449	8,231	81,350	43,000	30,750	172,780
Increase in net assets	-	-	-	-	-	-
Net assets at beginning of year	-	-	-	-	-	-
Net assets at end of year	\$ -	-	-	-	-	-

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2017

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
Legal Services Corporation (1) (Grant #233130)	09.233130	233130	\$ 1,838,112	72,185
U.S. Department of Health and Human Services: Passed through the NYS Office for the Aging - Special Programs for the Aging Title III, Part B - Grants for Supported Services and Senior Centers further passed through the organizations and counties of:	93.044	Not available		
Monroe County			50,545	-
Livingston County			14,929	-
Ontario County			20,000	-
Proaction of Steuben & Yates Counties			4,469	-
Seneca County			8,978	-
Wayne County			15,000	-
Tioga Opportunities, Inc.			738	-
Tompkins County			5,259	-
Chautauqua County - Jamestown Office of Aging			22,000	-
Total U.S. Department of Health and Human Services			141,918	-
U.S. Department of Housing and Urban Development:				
Fair Housing Initiative Program (1)	14.408	FH700G13068	299,000	-
Passed through the City of Rochester, Office of Human Services - Community Development Block Grants - further passed through - Legal Aid Society of Rochester	14.225	B15MC36003	40,074	-
Passed through the NYS Office of Temporary and Disability Assistance - Solutions to End Homelessness Program	14.231	C021835	132,585	-
Further passed through - Steuben County	14.231	Not available	16,107	-
Total U.S. Department of Housing and Urban Development			487,766	-

(Continued)

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Schedule of Expenditures of Federal Awards, Continued

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Agriculture - passed through NYS Department of Health - further passed through Hunger Solutions New York - State Administrative Matching Grants for Special Nutrition Assistance Program	10.561	Not available	\$ 135,278	-
U.S. Department of Justice:				
Legal Assistance for Victims	16.524	2012-WL-AX-0009	272,926	-
Passed through NYS Division of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	T553147	34,982	-
Further passed through County of Livingston, Office of District Attorney - Violence Against Women Formula Grants	16.588	Not available	1,487	-
Total U.S. Department of Justice			<u>309,395</u>	<u>-</u>
U.S. Department of Veterans Affairs - passed through Veterans Outreach Center, Inc. - VA Supportive Services for Veteran Families Programs	64.033	Not available	75,755	-
Corporation for National and Community Services:				
Passed through NYS Office of Children and Family Services - State Commissions	94.003	C027004	245,562	-
Passed through Equal Justice Works - AmeriCorps	94.006	13NDHDC003/14NDHDC001	191,018	-
Total Corporation for National and Community Services			<u>436,580</u>	<u>-</u>
Total federal financial assistance			<u>\$ 3,424,804</u>	<u>72,185</u>

(1) Direct federal award

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activities of all federal awards programs administered by Legal Assistance of Western New York, Inc. (LAWNY). Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the schedule of expenditures of federal awards.

(2) Basis of Accounting

The information is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(3) Relationship to Basic Financial Statements

Federal award expenditures are reported on the statement of functional expenses as program services and any related allowable general and administrative expenses under the category of management and general expenses. In certain program, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

(4) Indirect Costs

LAWNY does not use the 10% de minimis rule.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Legal Assistance of Western New York, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Legal Assistance of Western New York, Inc. (LAWNY), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated April 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LAWNY's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAWNY's internal control. Accordingly, we do not express an opinion on the effectiveness of LAWNY's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LAWNY's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAWNY's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAWNY's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LAWNY's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 24, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors  
Legal Assistance of Western New York, Inc.:

**Report on Compliance for Each Major Federal Program**

We have audited the Legal Assistance of Western New York, Inc.'s (LAWNY) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of LAWNY's major federal programs for the year ended December 31, 2017. LAWNY's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of LAWNY's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LAWNY's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LAWNY's compliance.

### Opinion on Each Major Federal Program

In our opinion, Legal Assistance of Western New York, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

### Report on Internal Control Over Compliance

Management of LAWNY is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAWNY's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWNY's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 24, 2018

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
 Schedule of Findings and Questioned Costs  
 Year ended December 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   x   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   x   No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   x   None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? \_\_\_\_\_ Yes   x   No
- LAWNY's major program audited was:
  - Legal Services Corporation, CFDA Number 09.233130
  - The dollar threshold for distinguishing between Type A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   x   No
- Due to the restrictions imposed by LSC, LSC recipients cannot be considered a low-risk auditee.

SECTION II - FINANCIAL STATEMENTS FINDINGS

There were no findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.  
Status of Prior Year Audit Findings  
December 31, 2017

There were no audit findings with regard to the prior year financial statements (December 31, 2016).