

LEGAL ASSISTANCE OF WESTERN
NEW YORK, INC.

Grantee No. 233130

Financial Statements and
Supplementary Information

December 31, 2021

(With Independent Auditors' Report Thereon)

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15
Schedule 1 - Schedule of Revenue, Expenses and Changes in Net Assets for LSC Funds	16 - 17
Schedule 2 - Schedule of Expenditures of Federal Awards	18 - 19
Notes to Schedule of Expenditures of Federal Awards	20
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 <u>Government Auditing Standards</u>	21 - 22
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23 - 25
Schedule of Findings and Questioned Costs	26
Status of Prior Year Audit Findings	27

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2021 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.

Report on Summarized Comparative Information

We have previously audited LAWNY's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAWNY and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LAWNY's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LAWNY's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental 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 schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statement. The accompanying schedule of expenditures of federal awards, 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 accompanying supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2022, 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 the effectiveness of LAWNY's 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 25, 2022

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
Statement of Financial Position
December 31, 2021
with comparative totals for 2020

	<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:			
Cash and equivalents		\$ 1,008,813	906,229
Client escrow funds		28,858	19,662
Receivables		3,120,475	3,254,782
Prepaid expenses		143,237	132,343
Total current assets		4,301,383	4,313,016
Property and equipment, net		158,093	212,284
Total assets		\$ 4,459,476	4,525,300
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable and accrued expenses		1,309,897	1,181,698
Client trust deposits		28,858	19,662
Deferred grant revenue		93,969	689,679
Total liabilities		1,432,724	1,891,039
Net assets:			
Without donor restrictions		1,699,897	857,093
With donor restrictions:			
Legal Services Corporation		234,918	481,554
Grant programs		1,091,937	1,295,614
Total net assets with donor restrictions		1,326,855	1,777,168
Total net assets		3,026,752	2,634,261
Commitments (note 14)			
Total liabilities and net assets		\$ 4,459,476	4,525,300

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Statement of Activities

Year ended December 31, 2021

with comparative totals for 2020

	Without donor restrictions	With Donor Restrictions		Total with donor restrictions	Total	
		Legal Services Corporation	Other		2021	2020
Revenue and other support:						
Contributions	\$ 687,292	2,488,336	12,243,651	14,731,987	15,419,279	11,520,633
Donations	159,851	-	-	-	159,851	238,006
Attorney fees	-	84	21,213	21,297	21,297	22,393
Interest income	-	220	613	833	833	1,201
Grant - Paycheck Protection Program	-	-	-	-	-	1,755,700
Other	48,874	-	15,640	15,640	64,514	85,141
Net assets released from restrictions through satisfaction of program restrictions	<u>15,220,070</u>	<u>(2,735,276)</u>	<u>(12,484,794)</u>	<u>(15,220,070)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>16,116,087</u>	<u>(246,636)</u>	<u>(203,677)</u>	<u>(450,313)</u>	<u>15,665,774</u>	<u>13,623,074</u>
Expenses:						
Program services	13,383,271	-	-	-	13,383,271	11,353,921
Management and general	<u>1,890,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,012</u>	<u>1,866,997</u>
Total expenses	<u>15,273,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,273,283</u>	<u>13,220,918</u>
Change in net assets	842,804	(246,636)	(203,677)	(450,313)	392,491	402,156
Net assets at beginning of year	<u>857,093</u>	<u>481,554</u>	<u>1,295,614</u>	<u>1,777,168</u>	<u>2,634,261</u>	<u>2,232,105</u>
Net assets at end of year	<u>\$ 1,699,897</u>	<u>234,918</u>	<u>1,091,937</u>	<u>1,326,855</u>	<u>3,026,752</u>	<u>2,634,261</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
Statement of Functional Expenses
Year ended December 31, 2021
with comparative totals for 2020

	Program services	Management and general	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Personnel expenses:				
Lawyers	\$ 5,271,229	759,608	6,030,837	5,055,618
Paralegals	2,431,440	-	2,431,440	2,168,354
Other staff	733,680	456,491	1,190,171	919,223
Payroll taxes and employee benefits	<u>2,656,964</u>	<u>389,152</u>	<u>3,046,116</u>	<u>2,883,466</u>
Total personnel expenses	<u>11,093,313</u>	<u>1,605,251</u>	<u>12,698,564</u>	<u>11,026,661</u>
Other expenses:				
Occupancy	614,102	131,167	745,269	658,057
Equipment rental and maintenance	43,832	9,362	53,194	45,843
Office supplies and expenses	209,320	44,709	254,029	169,468
Telephone and internet	133,859	28,591	162,450	145,908
Travel	20,837	1,293	22,130	36,079
Training	40,834	8,722	49,556	30,855
Library	52,815	11,281	64,096	64,334
Insurance	59,351	12,677	72,028	68,941
Donated services	159,851	-	159,851	238,006
Dues and fees	50,893	10,870	61,763	40,206
Professional fees	16,800	-	16,800	16,401
Litigation	13,768	-	13,768	2,451
Contract services to clients	226,048	-	226,048	237,698
Contract services to program	516,598	9,678	526,276	308,699
Depreciation	54,191	-	54,191	49,571
Other	<u>76,859</u>	<u>16,411</u>	<u>93,270</u>	<u>81,740</u>
Total other expenses	<u>2,289,958</u>	<u>284,761</u>	<u>2,574,719</u>	<u>2,194,257</u>
Total expenses	<u>\$ 13,383,271</u>	<u>1,890,012</u>	<u>15,273,283</u>	<u>13,220,918</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Statement of Cash Flows

Year ended December 31, 2021
with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 392,491	402,156
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	54,191	49,571
Foregiveness of Paycheck Protection Program loan	-	(1,755,700)
Changes in:		
Receivables	134,307	(526,550)
Prepaid expenses	(10,894)	(11,185)
Accounts payable and accrued expenses	128,199	95,221
Deferred grant revenue	<u>(595,710)</u>	<u>497,153</u>
Net cash provided by (used in) operating activities	102,584	(1,249,334)
Cash flows from investing activities - additions to property and equipment	<u>-</u>	<u>(60,501)</u>
Cash flows from financing activities - proceeds from promissory note - Paycheck Protection Program	<u>-</u>	<u>1,755,700</u>
Change in cash and equivalents	102,584	445,865
Cash and equivalents at beginning of year	<u>906,229</u>	<u>460,364</u>
Cash and equivalents at end of year	<u>\$ 1,008,813</u>	<u>906,229</u>
Supplemental schedule of cash flow information - disposal of fully depreciated property and equipment	<u>\$ -</u>	<u>21,975</u>

See accompanying notes to financial statements.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements

December 31, 2021

(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

LAWNY reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of LAWNY's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of LAWNY.

(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 and Equivalents

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.

(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.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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 Legal Services Corporations (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) Long-Lived Assets

LAWNY reviews its property and equipment 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. At December 31, 2021 and 2020, no impairment loss has been recognized by LAWNY.

(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 \$462,165 and \$465,187 at December 31, 2021 and 2020, respectively.

(k) Deferred Grant 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 grant 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.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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 LAWNY.

(m) 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.

(n) 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.

(o) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on LAWNY and its future results and financial position is not presently determinable.

(p) Reclassifications

Reclassifications have been made to certain 2020 balances in order to conform them to the 2021 presentation.

(2) Liquidity

LAWNY has \$4,129,288 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$1,008,813 of cash and equivalents and \$3,120,475 of receivables. As of December 31, 2021, \$1,326,855 is restricted for use for LSC and for various other programs operated by LAWNY. As more fully described in note 7, LAWNY has a line of credit in the amount of \$750,000, which it could draw upon in the event of an unanticipated liquidity need.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(3) Receivables

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 at December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
NYS Interest on Lawyer Account Fund	\$ 351,282	452,629
NYS Solutions to End Homelessness	283,594	75,750
Hunger Solutions	209,692	185,590
Empire Justice Center	200,981	272,706
Wayne County	191,983	80,692
Cattaraugus County	133,165	163,887
Tompkins County	125,030	6,389
NYS Department of Law	124,617	31,797
Chautauqua County	124,236	140,053
NYS Office of Court Administration	123,031	492,919
U.S. Department of Housing and Urban Development	117,625	81,870
Non-profit Infrastructure Capital Investment Program	100,859	100,859
Legal Services Corporation	83,115	90,260
Equal Justice Works	59,281	49,946
Community Service Society of New York	56,832	204,194
NYS AmeriCorp (Regional)	56,048	115,514
Law Help	29,267	54,623
Salvation Army	19,371	33,106
U.S. Department of Justice	18,130	52,213
Other	<u>712,336</u>	<u>569,785</u>
	<u>\$ 3,120,475</u>	<u>3,254,782</u>

(4) Property and Equipment

Property and equipment at December 31, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Purchased with LSC and non-LSC funds:		
Building and improvements	\$ 132,260	132,260
Furniture and equipment	267,264	267,264
Leasehold improvements	<u>284,266</u>	<u>284,266</u>
	683,790	683,790
Less accumulated depreciation	<u>(525,697)</u>	<u>(471,506)</u>
Total property and equipment, all funds	<u>\$ 158,093</u>	<u>212,284</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(4) Property and Equipment, Continued

	<u>2021</u>	<u>2020</u>
Purchased with LSC funds included above:		
Furniture and equipment	\$ 54,287	54,287
Less accumulated depreciation	<u>(47,300)</u>	<u>(41,456)</u>
Total property and equipment, LSC funds	\$ <u>6,987</u>	<u>12,831</u>

(5) Deferred Grant Revenue

Deferred grant revenue represents cash provided to LAWNY in advance of the period to be benefited in order to provide working capital for the operations of various programs of LAWNY. The following details LAWNY's deferred grant revenue at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Federal Home Loan Bank	\$ 34,347	-
Pels Memorial Fund	30,852	21,837
American Bar Endowment	11,200	-
Mother Cabrini Health Foundation	-	319,570
Legal Services Corporation	6,087	171,984
United Way	-	75,600
Empire Justice Center	-	46,875
Other	<u>11,483</u>	<u>53,813</u>
	\$ <u>93,969</u>	<u>689,679</u>

(6) LSC Funding

Funding received from LSC for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Basic Field Grant	\$ 2,116,705	2,003,267
COVID-19 Response Grant	172,051	65,591
Pro Bono Initiative Fund Grant	128,951	151,101
Technology Initiative Grant	70,713	-
Telework Grant	<u>-</u>	<u>17,345</u>
	\$ <u>2,488,420</u>	<u>2,237,304</u>

The LSC funds are restricted, to be used only for purposes authorized under the Legal Services Corporation Act of 1974, as amended.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(7) 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% (4.75% at December 31, 2021). At December 31, 2021 and 2020, there were no outstanding balances on the line of credit.

(8) Paycheck Protection Program

In April 2020, LAWNY received a loan under the Paycheck Protection Program that was designed by the United States Small Business Administration (SBA) to provide direct incentive for small businesses to keep their workers on payroll due to COVID-19. The SBA will forgive the loan if all employee retention criteria are met, and the funds are used for eligible expenses. If the criteria are not met, the loan is to be paid in equal payments over a period of two years, including interest at 1%. The SBA provided approval for forgiveness of the loan. As of December 31, 2020, LAWNY recognized \$1,755,700 towards eligible expenses and is included as grant income in the accompanying statement of activities.

(9) 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 \$144,963 and \$129,895 for the years ended December 31, 2021 and 2020, respectively.

(10) Net Assets Released from Donors Restrictions

Net assets were released from donor restrictions by incurring expenses in satisfaction of program restrictions for the year ended December 31, 2021 as follows:

NYS Office of Court Administration	\$ 5,027,533
Legal Service Corporation	2,735,276
NYS Interest on Lawyer Account Fund	1,344,975
U.S. Department of Housing and Urban Development	831,084
NYS Office of Victims Services	695,892
Disability Law Project	468,157
Other programs	<u>4,117,153</u>
Total net assets released from restrictions through satisfaction of program restrictions	\$ <u>15,220,070</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(11) 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, 2021, LSC funds carried over from 2020 did not exceed 10% of LSC support.

(12) 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 2021, 12.5% of LSC's basic field award of \$2,116,688 amounted to \$264,588. During 2021, LAWNY expended \$293,526 (13.9%) for this purpose. A summary of PAI related expenditures for 2021 is as follows:

Personnel	\$ 178,446
Contract services to client	87,185
Occupancy	11,431
Other	<u>16,464</u>
Total PAI related expenditures	\$ <u>293,526</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 120 persons and brief assistance, consultation and advice to not less than 545 persons in Monroe County who meet financial and other eligibility criteria, as established by LSC.

(13) Functional Expenses

LAWNY provides legal assistance in non-criminal proceedings or matters to persons financially unable to afford legal assistance in the Western New York area. All expenses related to providing these services have been allocated to program services with the exception of certain administrative expenses. Salaries and benefits are allocated among programs and support services based on time and effort. Office and other expenses are allocated based on direct usage.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Financial Statements, Continued

(14) Commitments

LAWNY leases office space located in Rochester, Geneva, Olean, Elmira, Lyons, Lakeville, Jamestown, Seneca Falls and Ithaca, New York under operating leases that expire at various dates through November 2025. Total rent expense amounted to \$488,801 and \$483,187 for the years ended December 31, 2021 and 2020, 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:

2022	\$ 558,293
2023	348,682
2024	336,621
2025	<u>229,584</u>
	\$ <u>1,473,180</u>

(15) 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, 2021 and 2020 Legal Service Corporation (LSC), NYS Interest on Lawyer Account Fund (IOLA) and NYS Office of Court Administration (OCA) programs accounted for 58% and 45%, respectively, of LAWNY's total revenue.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
 Schedule of Revenue, Expenses and Changes in Net Assets for LSC Funds
 Year ended December 31, 2021

	<u>Basic Field Grant</u>	<u>Private Attorney Involvement</u>	<u>Technology Initiative Grant</u>	<u>Pro Bono Initiative Fund Grant</u>	<u>COVID-19 Response Grant</u>	<u>Excess 2020 Carryover</u>	<u>Property</u>	<u>Total</u>
Revenue:								
Contributions	\$ 1,823,162	293,526	70,713	128,951	171,984	-	-	2,488,336
Attorney fees	17	-	-	-	67	-	-	84
Interest income	220	-	-	-	-	-	-	220
Total revenue	<u>1,823,399</u>	<u>293,526</u>	<u>70,713</u>	<u>128,951</u>	<u>172,051</u>	<u>-</u>	<u>-</u>	<u>2,488,640</u>
Expenses:								
Personnel expenses:								
Lawyers	328,374	99,570	-	43,811	38,697	63,836	-	574,288
Paralegals	89,255	29,352	-	41,651	31,201	18,935	-	210,394
Other staff	449,582	6,264	514	11,408	249	56,177	-	524,194
Payroll taxes and employee benefits	383,910	43,260	-	27,123	17,536	55,579	-	527,408
Total personnel expenses	<u>1,251,121</u>	<u>178,446</u>	<u>514</u>	<u>123,993</u>	<u>87,683</u>	<u>194,527</u>	<u>-</u>	<u>1,836,284</u>
Other expenses:								
Occupancy	238,380	11,431	-	-	44,678	21,824	-	316,313
Equipment rental and maintenance	22,434	377	-	-	315	1,476	-	24,602
Office supplies and expenses	57,234	3,770	-	4,505	16,083	7,171	-	88,763
Telephone and internet	33,595	2,557	-	453	9,162	3,732	-	49,499
Travel	6,746	447	-	-	-	-	-	7,193
Training	15,375	586	199	-	-	1,031	-	17,191
Library	16,820	1,050	-	-	-	1,140	-	19,010
Insurance	30,710	1,045	-	-	-	2,026	-	33,781

(Continued)

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
Schedule 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 Grant</u>	<u>Pro Bono Initiative Fund Grant</u>	<u>COVID-19 Response Grant</u>	<u>Excess 2020 Carryover</u>	<u>Property</u>	<u>Total</u>
Expenses, continued:								
Other expenses, continued:								
Dues and fees	\$ 1,266	486	-	-	-	23	-	1,775
Professional fees	12,463	-	-	-	-	582	-	13,045
Litigation	9,905	244	-	-	-	648	-	10,797
Contract services to clients	55,000	87,185	-	-	-	-	-	142,185
Contract services to program	69,347	5,875	70,000	-	-	9,269	-	154,491
Depreciation	-	-	-	-	-	-	5,844	5,844
Other	346	27	-	-	14,130	-	-	14,503
Total other expenses	<u>569,621</u>	<u>115,080</u>	<u>70,199</u>	<u>4,958</u>	<u>84,368</u>	<u>48,922</u>	<u>5,844</u>	<u>898,992</u>
Total expenses	<u>1,820,742</u>	<u>293,526</u>	<u>70,713</u>	<u>128,951</u>	<u>172,051</u>	<u>243,449</u>	<u>5,844</u>	<u>2,735,276</u>
Change in net assets	2,657	-	-	-	-	(243,449)	(5,844)	(246,636)
Net assets at beginning of year	<u>225,274</u>	-	-	-	-	243,449	12,831	481,554
Net assets at end of year	<u>\$ 227,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,987</u>	<u>234,918</u>

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
 Schedule of Expenditures of Federal Awards
 Year ended December 31, 2021

<u>Federal Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
Legal Services Corporation:				
Basic Field Grant	9.233130	Not available	\$ 2,357,717	72,185
COVID-19 Response Grant	9.233130	Not available	172,051	-
Technology Initiative Grant	9.233130	20048	70,713	-
Pro Bono Innovation Fund Grant	9.233130	PB18029	<u>128,951</u>	<u>-</u>
Total Legal Services Corporation			<u>2,729,432</u>	<u>72,185</u>
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:				
Monroe County	93.044	Not available	85,545	-
Livingston County	93.044	Not available	21,539	-
Ontario County	93.044	Not available	27,672	-
Proaction of Steuben & Yates Counties	93.044	Not available	10,417	-
Seneca County	93.044	Not available	10,819	-
Wayne County	93.044	Not available	17,976	-
Tioga Opportunities, Inc.	93.044	Not available	660	-
Tompkins County	93.044	Not available	5,041	-
Chautauqua County	93.044	Not available	22,500	-
Steuben County	93.044	Not available	<u>12,056</u>	<u>-</u>
			214,225	-
Passed through NYS Department of Health - Children's Health Insurance Program - further passed through NY Community Service Society				
	93.778	Not available	109,036	-
Medical Assistance Program Medicaid Title XIX - further passed through NY Community Service Society				
	93.778	Not available	<u>74,768</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>183,804</u>	<u>-</u>
			398,029	-
U.S. Department of Housing and Urban Development:				
Fair Housing Initiative Program (1)	14.408	FH700G13068	368,842	-
Fair Housing Education and Outreach Program (1)	14.408	FH700G13068	<u>64,787</u>	<u>-</u>
			433,629	-
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	<u>63,935</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

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

<u>Federal Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
Passed through the NYS Office of Temporary and Disability Assistance - Emergency Solutions to End Homelessness Program	14.231	C00545GG	\$ 164,422	-
Emergency Solutions to End Homelessness Program - further passed through:				
Finger Lakes Area Counseling and Recovery	14.231	Not available	24,828	-
Steuben County	14.231	Not available	26,817	-
Tompkins County	14.231	Not available	15,174	-
			<u>231,241</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>728,805</u>	<u>-</u>
U.S. Department of Agriculture - passed through NYS Department of Health - further passed through Hunger Solutions New York - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	Not available	149,186	-
U.S. Department of Justice:				
Legal Assistance for Victims	16.524	2012-WL-AX-0027	119,031	-
Passed through NYS Division of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	C00325GG	44,943	-
Passed through Office of Justice Programs - further passed through Equal Justice Works	16.582	2020-OVC-EJP-010	166,239	-
Total U.S. Department of Justice			<u>330,213</u>	<u>-</u>
Corporation for National and Community Services:				
Passed through NYS Office of Children and Family Services - State Commissions	94.003	C027004	233,223	-
VOCA Crime Victim Assistance - passed through NYS Office of Victims Services further passed through:				
Arbor Housing and Development	16.575	Not available	113,830	-
Cattaraugus Community Action	16.575	Not available	129,161	-
Chautauqua County	16.575	Not available	114,255	-
Empire Justice Center	16.575	Not available	87,799	-
Family Counseling of the Finger Lakes	16.575	Not available	23,750	-
Safe Harbors of the Finger Lakes	16.575	Not available	90,219	-
The Salvation Army Safehouse	16.575	Not available	92,615	-
Victim Resource Center	16.575	Not available	44,264	-
Total VOCA Crime Victim Assistance			<u>695,893</u>	<u>-</u>
Total federal financial assistance			<u>\$ 5,264,781</u>	<u>72,185</u>

(1) Direct federal award

See accompanying notes to schedule of expenditures of federal awards.

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2021

(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 programs, 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 has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2021, 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 25, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 25, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Assistance of Western New York, Inc.'s (LAWNY) compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on LAWNY's major federal program for the year ended December 31, 2021. LAWNY's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Program

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 Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LAWNY and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LAWNY's compliance with the compliance requirements referred to above.

Responsibilities for Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LAWNY's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LAWNY's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about LAWNY's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LAWNY's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LAWNY's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LAWNY's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the compliance requirements 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 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 25, 2022

LEGAL ASSISTANCE OF WESTERN NEW YORK, INC.
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2021

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? _____ 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? _____ 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 - Basic Field Grant, Assistance Listing Number 9.233130
- 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, 2021

There were no audit findings with regard to the prior year financial statements (December 31, 2020).