



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Legal Aid of Arkansas

Financial Statements

December 31, 2016 and 2015

Recipient #604020

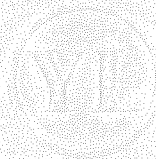
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Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Legal Aid of Arkansas
Jonesboro, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Aid of Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the entity'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 the entity'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 positions of Legal Aid of Arkansas as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying supplementary information on pages 12 through 24 are presented for purposes of additional analysis, and are also 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 audits 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 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2017, on our consideration of Legal Aid of Arkansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Legal Aid of Arkansas's internal control over financial reporting and compliance.

Goakum, Russell & Co., P.A.C.
Certified Public Accountants

Benton, Arkansas
February 23, 2017

Legal Aid of Arkansas
Statements of Financial Position
December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 718,482	\$ 602,472
Client Trust Deposits	4,853	5,467
Grants and Contracts Receivable	108,965	77,070
Prepaid Expenses	34,594	29,383
Total Current Assets	<u>866,894</u>	<u>714,392</u>
Property and Equipment, Net	<u>279,649</u>	<u>293,763</u>
Total Assets	<u><u>\$1,146,543</u></u>	<u><u>\$1,008,155</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 15,881	\$ 27,337
Accrued Expenses	73,703	79,944
Accrued Leave	71,495	67,531
Client Deposits Held in Trust	4,853	5,467
Deferred Support	10,000	
Current Portion of Long-Term Debt	208,960	16,111
Total Current Liabilities	<u>384,892</u>	<u>196,390</u>
Long-Term Debt		210,075
Total Liabilities	<u>384,892</u>	<u>406,465</u>
Net Assets		
Unrestricted		
Arkansas Filing Fees	165,598	
Donations	525,364	509,513
Property	49,807	42,795
Total Unrestricted	<u>740,769</u>	<u>552,308</u>
Temporarily Restricted		
Other		24,600
Property	20,882	24,782
Total Temporarily Restricted	<u>20,882</u>	<u>49,382</u>
Total Net Assets	<u>761,651</u>	<u>601,690</u>
Total Liabilities and Net Assets	<u><u>\$1,146,543</u></u>	<u><u>\$1,008,155</u></u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support			
Grants and Contracts	\$	\$2,271,964	\$2,271,964
Contributions	129,790		129,790
Other Support	250,214	6,076	256,290
Donated Services		763,931	763,931
Miscellaneous		29,611	29,611
Interest		2,995	2,995
Net Assets Released from Restriction	3,103,077	(3,103,077)	
Total Support	3,483,081	(28,500)	3,454,581
Expenses			
Program Services	3,022,492		3,022,492
Supporting Services			
Management and General	272,128		272,128
Total Expenses	3,294,620		3,294,620
Change in Net Assets	188,461	(28,500)	159,961
Net Assets at Beginning of Year	552,308	49,382	601,690
Net Assets at End of Year	\$ 740,769	\$ 20,882	\$ 761,651

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas
Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support			
Grants and Contracts	\$	\$2,203,467	\$2,203,467
Contributions	284,268		284,268
Other Support	250,214	2,600	252,814
Donated Services		822,901	822,901
Miscellaneous		8,953	8,953
Interest		1,888	1,888
Net Assets Released from Restriction	3,038,304	(3,038,304)	
Total Support	3,572,786	1,505	3,574,291
Expenses			
Program Services	3,165,881		3,165,881
Supporting Services			
Management and General	257,397		257,397
Total Expenses	3,423,278		3,423,278
Change in Net Assets	149,508	1,505	151,013
Net Assets at Beginning of Year	402,800	47,877	450,677
Net Assets at End of Year	\$ 552,308	\$ 49,382	\$ 601,690

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas
Statements of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Expenses						
Salaries	\$1,636,987	\$ 175,223	\$1,812,210	\$1,648,675	\$ 177,418	\$1,826,093
Fringe Benefits	287,219	18,661	305,880	312,254	18,895	331,149
Professional Dues	12,406	3,264	15,670	11,913	3,625	15,538
Audit	15,000		15,000	15,000		15,000
Insurance	14,797	12,653	27,450	15,636	11,583	27,219
Contract Services	5,139		5,139	4,590		4,590
Training and Travel	32,764	13,548	46,312	26,319	10,310	36,629
Local Mileage	47,050	9,564	56,614	48,099	12,375	60,474
Space Rent	20,800		20,800	17,674		17,674
Utilities and Janitorial	32,931	1,691	34,622	33,575	1,237	34,812
Office Supplies	27,884	14,266	42,150	26,806	11,266	38,072
Printing	526	1,979	2,505	32		32
Postage	12,941	149	13,090	17,962	46	18,008
Telecommunications	38,722	18,978	57,700	50,881	8,978	59,859
Library	14,522		14,522	16,241		16,241
Repairs and Maintenance	17,618		17,618	11,465		11,465
Litigation	13,163		13,163	4,001		4,001
Advertising	554	2,152	2,706	1,037	1,664	2,701
Miscellaneous	3,714		3,714	14,897		14,897
Subgrants				42,000		42,000
Interest Expense	9,710		9,710	9,480		9,480
Donated Services	763,931		763,931	822,901		822,901
Depreciation	14,114		14,114	14,443		14,443
Total Expenses	<u>\$3,022,492</u>	<u>\$ 272,128</u>	<u>\$3,294,620</u>	<u>\$3,165,881</u>	<u>\$ 257,397</u>	<u>\$3,423,278</u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 159,961	\$ 151,013
Items Not Requiring Cash:		
Depreciation Expense	14,114	14,443
(Increase) Decrease In:		
Grants and Contracts Receivable	(31,895)	(25,705)
Prepaid Expenses and Other Assets	(5,211)	1,498
Increase (Decrease) In:		
Accounts Payable	(11,456)	(4,574)
Accrued Expenses	(6,241)	3,446
Accrued Leave	3,964	(5,620)
Deferred Support	10,000	
Net Cash Provided by Operating Activities	<u>133,236</u>	<u>134,501</u>
Cash Flows from Financing Activities		
Payments on Long-Term Debt	<u>(17,226)</u>	<u>(15,384)</u>
Net Cash Used by Financing Activities	<u>(17,226)</u>	<u>(15,384)</u>
Net Increase in Cash	116,010	119,117
Cash at Beginning of Year	<u>602,472</u>	<u>483,355</u>
Cash at End of Year	<u><u>\$ 718,482</u></u>	<u><u>\$ 602,472</u></u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas
Notes to Financial Statements

Note 1: Basis of Presentation

The organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted – Those resources over which the organization has discretionary control.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that requires they be maintained permanently by the organization. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes. The organization presently has no permanently restricted net assets.

Note 2: Summary of Significant Accounting Policies

- A. **Operations** – Legal Aid of Arkansas is a nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons who are financially unable to afford legal assistance in northern Arkansas.
- B. **Grants and Contract Support** – The organization recognizes grant funds from Legal Services Corporation (LSC) and various other organizations as support on a straight-line basis over the contract period, and any remaining unused grant funds at year end are carried in the net assets. In accordance with LSC policy, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant.

LSC may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the organization with the terms of the grant. In addition, if the organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC. Other support is provided by donations and interest income.
- C. **Donated Services** – Donated services represent services rendered by various attorneys and volunteers in northern Arkansas and office space made available at one location at no charge to Legal Aid of Arkansas. The value of the donated services is based upon the fee normally charged by the professional rendering the services and fair rental value of the office space. Donated services are recognized both as support and costs in the accompanying financial statements and, therefore, do not add to the net assets.
- D. **Cash and Cash Equivalents** – For the purposes of reporting cash flows, cash and cash equivalents include all cash on hand, deposited in financial institutions, or deposited in certificates of deposit.
- E. **Property and Equipment** - Property acquired with LSC funds is considered to be owned by Legal Aid of Arkansas while used in the program or in future authorized programs. However, Legal Services Corporation retains a reversionary interest in the property as well as determination of use of any proceeds from the sale of those assets.

The Organization follows the practice of capitalizing at cost all expenditures for property in excess of \$5,000 with a useful life of at least one year. Depreciation is computed on a straight-line basis over the estimated useful life.

The following useful lives have been assigned to the property and equipment:

Building	30 years
Furniture and Equipment	5 - 10 years
Leasehold Improvements	5 - 10 years

Legal Aid of Arkansas
Notes to Financial Statements

Note 3: Income Taxes

Legal Aid of Arkansas is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax provisions have been made. The organization annually files the form 990 tax return with the IRS. The tax years 2013, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Note 4: Commitments

Legal Aid of Arkansas has entered into the following non-cancelable leases for building space:

<u>Location</u>	<u>Term</u>	<u>Annual Amount</u>
Harrison	Ends September 30, 2018	\$8,100
Helena	Month-to-month	\$6,000
West Memphis	Month-to-month	\$7,200

Rental expenses for the years ended December 31, 2016 and 2015, were \$20,800 and \$17,674, respectively. Future minimum lease payments under operating leases that have remaining terms as of December 31, 2016, are \$16,992 for 2017 and \$14,458 for 2018. This includes operating leases for two copiers and the lease for the Harrison property.

Note 5: Defined Contribution Plan

The Organization adopted a 403(b) thrift plan beginning in 2009, covering all employees. Previously, the organization had a saving incentive match plan for employees (simple) covering full-time employees who earned over \$5,000. The Organization's contributions to the plan are determined annually by the Board of Directors. The rate of matching contributions was 3% for 2016 and 2015. Total contributions by the Organization in 2016 and 2015 were \$30,156 and \$30,682, respectively.

Note 6: Estimates

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

Note 7: Client Deposits Held in Trust

Client funds are maintained by Legal Aid of Arkansas in a separate bank account. These funds are required to pay for court costs and other expenses incurred while representing Legal Aid of Arkansas's clients.

Note 8: Property and Equipment

The following is a summary of property and equipment at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 8,000	\$ 8,000
Buildings	505,799	505,799
Furniture and Equipment	122,202	122,202
Leasehold Improvements	<u>71,596</u>	<u>71,596</u>
Total Property and Equipment	707,597	707,597
Less: Accumulated Depreciation	<u>(427,948)</u>	<u>(413,834)</u>
Property and Equipment, Net	<u>\$ 279,649</u>	<u>\$ 293,763</u>

Legal Aid of Arkansas
Notes to Financial Statements

Note 9: Private Attorney Involvement

The private attorney involvement exceeded 12 1/2% requirement set forth by Legal Services Corporation in 2016 and 2015.

Note 10: Long-Term Debt

	<u>2016</u>	<u>2015</u>
4.0% note payable, payable in monthly payments of \$2,072, principal and interest through May 2017, at which time the remaining balance will be due, secured by real estate	\$ 208,960	\$ 226,186
Less: Current Portion	<u>208,960</u>	<u>16,111</u>
Total Long-Term Debt	<u>\$</u>	<u>\$ 210,075</u>

Management intends to refinance this note payable at maturity.

Interest paid for the year ended December 31, 2016 and 2015, was \$9,710 and \$9,480, respectively.

Note 11: Concentration of Funding

Approximately 55% and 54% of the organization's funding is provided from grants from Legal Services Corporation for the years ended December 31, 2016 and 2015, respectively.

Note 12: Contingencies

During 2014, Newport Economic Development Commission (NEDC) agreed to pay \$13,800 for roof repairs to a building owned by Legal Aid of Arkansas that is located in Newport, Arkansas. The agreement with NEDC created a mortgage on the property for \$13,800 that will be forgiven annually at 10% through 2024. NEDC will only collect the mortgage if the property is sold by Legal Aid of Arkansas before the end of the ten years.

Note 13: Temporarily Restricted Net Assets

As discussed in Note 1, the funds received by certain funding sources are recognized when received, but will only be released from restriction upon meeting the stipulations by that funding source. Temporarily restricted net assets from property and equipment represent the net book value of the property and equipment that was purchased with funds that restrict the use of those assets to certain programs. The following is a schedule of net assets that remained temporarily restricted as of December 31:

	<u>2016</u>	<u>2015</u>
SNAP	\$	\$ 21,900
Arkansas Community Foundation		2,700
Property	<u>20,882</u>	<u>24,782</u>
Total Temporarily Restricted Net Assets	<u>\$ 20,882</u>	<u>\$ 49,382</u>

Note 14: Subsequent Events

Subsequent events were evaluated through February 23, 2017, which is the date the financial statements were available to be issued.

Legal Aid of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor, Pass-Through Grantor and Program Title	Federal CFDA Number	Federal Expenditures
Legal Services Corporation - Basic Field	09.604020	\$1,480,844
U.S. Department of Justice Pass-Through Program from Arkansas Department of Finance and Administration (Office of Inter-Governmental Services) - VOCA	16.575	83,331
U.S. Department of the Treasury Low Income Taxpayer Clinic Grant	21.008	60,000
U.S. Department of Health and Human Services Pass-Through Program from Arkansas Department of Human Services:		
Title IIIB	93.044	17,383
Title IIIB (White River Area Agency on Aging)	93.044	3,620
Title IIIB (Northwest Arkansas Area Agency on Aging)	93.044	9,312
Title IIIB (East Arkansas Area Agency on Aging)	93.044	31,625
		<u>61,940</u>
Pass-Through Program from the University of Arkansas: Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	93.332	9,413
Total U.S. Department of Health and Human Services		<u>71,353</u>
Corporation for National and Community Service Pass-Through Program from Equal Justice Works:		
AmeriCorps	94.006	30,947
Pass-Through Program from Arkansas Department of Human Services:		
AmeriCorps	94.006	55,199
Total Corporation for National and Community Service		<u>86,146</u>
Total Expenditures of Federal Awards		<u>\$1,781,674</u>

Note 1: Basis of Presentation - The schedule of expenditures of federal awards (the schedule) includes the federal award activity of Legal Aid of Arkansas (LAA) under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of LAA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAA.

Note 2: Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rates - LAA has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Legal Aid of Arkansas
Statement of Activities by Funding Source - Unrestricted
For the Year Ended December 31, 2016

	Arkansas Filing Fees	Donations	Property	Total
Support				
Cash Donations	\$	\$ 129,790	\$	\$ 129,790
Other Support	250,214			250,214
Total Support	250,214	129,790		380,004
Expenses				
Personnel				
Salaries	35,437	88,887		124,324
Fringe Benefits	5,982	8,891		14,873
Other				
Professional Dues	10,436			10,436
Training and Travel	4,939			4,939
Local Mileage	4,147			4,147
Utilities and Janitorial		1,376		1,376
Office Supplies	1,344	2,223		3,567
Postage	200	433		633
Telecommunications		379		379
Library		208		208
Repairs and Maintenance		2,950		2,950
Litigation	50	23		73
Miscellaneous		3,714		3,714
Interest	4,855	4,855		9,710
Depreciation			10,214	10,214
Total Expenses	67,390	113,939	10,214	191,543
Support over (under) Expenses	182,824	15,851	(10,214)	188,461
Payments on Long-Term Debt	(17,226)		17,226	
Change in Net Assets	165,598	15,851	7,012	188,461
Net Assets at Beginning of Year		509,513	42,795	552,308
Net Assets at End of Year	\$ 165,598	\$ 525,364	\$ 49,807	\$ 740,769

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted
For the Year Ended December 31, 2016

	LSC Basic Field	VOCA	Medical Legal Partnership
Support			
Grants and Contracts	\$1,480,844	\$ 83,331	\$ 161,494
Donated Services	763,931		
Attorney Fees	2,576		
Miscellaneous			
Interest Income	1,647		
Total Support	<u>2,248,998</u>	<u>83,331</u>	<u>161,494</u>
Expenses			
Personnel			
Salaries	987,727	61,306	131,375
Fringe Benefits	166,850	12,450	26,680
Other			
Professional Dues	4,885		125
Audit	15,000		
Insurance	27,450		
Contract Services	5,139		
Training and Travel	38,394		836
Local Mileage	32,700	9,530	2,422
Space Rent	20,800		
Utilities and Janitorial	33,246		
Office Supplies	37,290		15
Printing	2,505		
Postage	12,419	2	36
Telecommunications	57,321		
Library	13,927		
Repairs and Maintenance	14,668		
Litigation	12,040	43	5
Advertising	2,706		
Donated Services	763,931		
Depreciation			
Total Expenses	<u>2,248,998</u>	<u>83,331</u>	<u>161,494</u>
Changes in Net Assets			
Net Assets at Beginning of Year			
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2016

	AmeriCorps	Area Agencies on Aging	IRS-LITC	Navigator
Support				
Grants and Contracts	\$ 55,199	\$ 61,940	\$ 60,000	\$ 9,413
Donated Services				
Attorney Fees		3,500		
Miscellaneous	21,611			
Interest Income				
Total Support	<u>76,810</u>	<u>65,440</u>	<u>60,000</u>	<u>9,413</u>
Expenses				
Personnel				
Salaries	62,129	54,394	60,000	7,628
Fringe Benefits	14,681	11,046		1,549
Other				
Professional Dues				24
Audit				
Insurance				
Contract Services				
Training and Travel				
Local Mileage				212
Space Rent				
Utilities and Janitorial				
Office Supplies				
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>76,810</u>	<u>65,440</u>	<u>60,000</u>	<u>9,413</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2016

	United Way of			
	Northwest Arkansas Counties	Northeast Arkansas Counties	Greater Blytheville	Mid- South
Support				
Grants and Contracts	\$ 43,054	\$ 15,564	\$ 2,500	\$ 4,870
Donated Services				
Attorney Fees				
Miscellaneous				
Interest Income				
Total Support	<u>43,054</u>	<u>15,564</u>	<u>2,500</u>	<u>4,870</u>
Expenses				
Personnel				
Salaries	35,787	12,937	2,078	4,048
Fringe Benefits	7,267	2,627	422	822
Other				
Professional Dues				
Audit				
Insurance				
Contract Services				
Training and Travel				
Local Mileage				
Space Rent				
Utilities and Janitorial				
Office Supplies				
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>43,054</u>	<u>15,564</u>	<u>2,500</u>	<u>4,870</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2016

	United Way of			Equal Justice Works AmeriCorps
	Independence County	Boone County	IOLTA	
Support				
Grants and Contracts	\$ 4,000	\$ 1,500	\$ 244,383	\$ 30,947
Donated Services				
Attorney Fees				
Miscellaneous				8,000
Interest Income				
Total Support	<u>4,000</u>	<u>1,500</u>	<u>244,383</u>	<u>38,947</u>
Expenses				
Personnel				
Salaries	3,325	1,247	194,891	38,947
Fringe Benefits	675	253	39,579	
Other				
Professional Dues			200	
Audit				
Insurance				
Contract Services				
Training and Travel			2,143	
Local Mileage			4,903	
Space Rent				
Utilities and Janitorial				
Office Supplies			1,278	
Printing				
Postage				
Telecommunications				
Library			387	
Repairs and Maintenance				
Litigation			1,002	
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>4,000</u>	<u>1,500</u>	<u>244,383</u>	<u>38,947</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2016

	<u>Other</u>	<u>Property</u>	<u>Total</u>
Support			
Grants and Contracts	\$ 12,925	\$	\$2,271,964
Donated Services			763,931
Attorney Fees			6,076
Miscellaneous			29,611
Interest Income	1,348		2,995
Total Support	<u>14,273</u>		<u>3,074,577</u>
Expenses			
Personnel			
Salaries	30,067		1,687,886
Fringe Benefits	6,106		291,007
Other			
Professional Dues			5,234
Audit			15,000
Insurance			27,450
Contract Services			5,139
Training and Travel			41,373
Local Mileage	2,700		52,467
Space Rent			20,800
Utilities and Janitorial			33,246
Office Supplies			38,583
Printing			2,505
Postage			12,457
Telecommunications			57,321
Library			14,314
Repairs and Maintenance			14,668
Litigation			13,090
Advertising			2,706
Donated Services			763,931
Depreciation		3,900	3,900
Total Expenses	<u>38,873</u>	<u>3,900</u>	<u>3,103,077</u>
Changes in Net Assets	(24,600)	(3,900)	(28,500)
Net Assets at Beginning of Year	<u>24,600</u>	<u>24,782</u>	<u>49,382</u>
Net Assets at End of Year	<u>\$</u>	<u>\$ 20,882</u>	<u>\$ 20,882</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Unrestricted
For the Year Ended December 31, 2015

	Arkansas Filing Fees	Donations	Property	Total
Support				
Cash Donations	\$	\$ 284,268	\$	\$ 284,268
Other Support	250,214			250,214
Total Support	250,214	284,268		534,482
Expenses				
Personnel				
Salaries	150,635	94,516		245,151
Fringe Benefits	49,869	24,557		74,426
Other				
Professional Dues	10,734			10,734
Insurance	1,804			1,804
Contract Services	4,590			4,590
Training and Travel	4,726			4,726
Local Mileage	5,435			5,435
Utilities and Janitorial	7			7
Office Supplies	7,160			7,160
Postage	461			461
Telecommunications	479			479
Library	99			99
Litigation	463			463
Advertising	289			289
Miscellaneous		9,456		9,456
Interest	4,740	4,740		9,480
Depreciation			10,214	10,214
Total Expenses	241,491	133,269	10,214	384,974
Support over (under) Expenses	8,723	150,999	(10,214)	149,508
Payments on Long-Term Debt	(15,384)		15,384	
Change in Net Assets	(6,661)	150,999	5,170	149,508
Net Assets at Beginning of Year	6,661	358,514	37,625	402,800
Net Assets at End of Year	\$	\$ 509,513	\$ 42,795	\$ 552,308

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted
For the Year Ended December 31, 2015

	LSC Basic Field	LSC TIG #13062	VOCA	Medical Legal Partnership
Support				
Grants and Contracts	\$1,495,419	\$	\$ 67,802	\$ 77,985
Donated Services	822,901			
Attorney Fees	100			
Miscellaneous	600			3,071
Interest Income	1,888			
Total Support	<u>2,320,908</u>	<u></u>	<u>67,802</u>	<u>81,056</u>
Expenses				
Personnel				
Salaries	983,362	2,660	48,506	69,456
Fringe Benefits	178,328	482	8,796	5,178
Other				
Professional Dues	4,379			150
Audit	15,000			
Insurance	25,415			
Training and Travel	23,351		12	2,103
Local Mileage	37,490		10,451	3,487
Space Rent	17,674			
Utilities and Janitorial	34,805			
Office Supplies	27,331			431
Printing	32			
Postage	17,291			236
Telecommunications	59,380			
Library	15,784			
Repairs and Maintenance	11,465			
Litigation	2,523		37	
Advertising	2,397			15
Miscellaneous		1,591		
Subgrants	42,000			
Donated Services	822,901			
Depreciation				
Total Expenses	<u>2,320,908</u>	<u>4,733</u>	<u>67,802</u>	<u>81,056</u>
Changes in Net Assets		(4,733)		
Net Assets at Beginning of Year		4,733		
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2015

	AmeriCorps	Area Agencies on Aging	IRS-LITC	Navigator
Support				
Grants and Contracts	\$ 12,272	\$ 80,770	\$ 58,407	\$ 41,720
Donated Services				
Attorney Fees		500		
Miscellaneous	5,282			
Interest Income				
Total Support	<u>17,554</u>	<u>81,270</u>	<u>58,407</u>	<u>41,720</u>
Expenses				
Personnel				
Salaries	17,554	68,795	58,407	40,072
Fringe Benefits		12,475		7,267
Other				
Professional Dues				150
Audit				
Insurance				
Training and Travel				947
Local Mileage				751
Space Rent				
Utilities and Janitorial				
Office Supplies				2,566
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Miscellaneous				
Subgrants				
Donated Services				
Depreciation				
Total Expenses	<u>17,554</u>	<u>81,270</u>	<u>58,407</u>	<u>51,753</u>
Changes in Net Assets				(10,033)
Net Assets at Beginning of Year				<u>10,033</u>
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2015

	United Way of			
	Northwest Arkansas Counties	Northeast Arkansas Counties	Greater Blytheville	Mid- South
Support				
Grants and Contracts	\$ 18,067	\$ 15,564	\$ 2,500	\$ 4,694
Donated Services				
Attorney Fees				
Miscellaneous				
Interest Income				
Total Support	<u>18,067</u>	<u>15,564</u>	<u>2,500</u>	<u>4,694</u>
Expenses				
Personnel				
Salaries	15,294	13,175	2,116	3,974
Fringe Benefits	2,773	2,389	384	720
Other				
Professional Dues				
Audit				
Insurance				
Training and Travel				
Local Mileage				
Space Rent				
Utilities and Janitorial				
Office Supplies				
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Miscellaneous				
Subgrants				
Donated Services				
Depreciation				
Total Expenses	<u>18,067</u>	<u>15,564</u>	<u>2,500</u>	<u>4,694</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2015

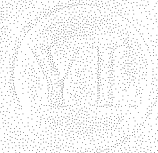
	United Way of Independence County	Boone County	IOLTA Housing Foreclosure	Equal Justice Works AmeriCorps
Support				
Grants and Contracts	\$ 4,000	\$ 2,000	\$ 225,000	\$ 48,400
Donated Services				
Attorney Fees			2,000	
Miscellaneous				
Interest Income				
Total Support	<u>4,000</u>	<u>2,000</u>	<u>227,000</u>	<u>48,400</u>
Expenses				
Personnel				
Salaries	3,386	1,693	183,567	48,400
Fringe Benefits	614	307	33,288	
Other				
Professional Dues			125	
Audit				
Insurance				
Training and Travel			5,490	
Local Mileage			2,840	
Space Rent				
Utilities and Janitorial				
Office Supplies			584	
Printing				
Postage			20	
Telecommunications				
Library			358	
Repairs and Maintenance				
Litigation			728	
Advertising				
Miscellaneous				
Subgrants				
Donated Services				
Depreciation				
Total Expenses	<u>4,000</u>	<u>2,000</u>	<u>227,000</u>	<u>48,400</u>
Changes in Net Assets				
Net Assets at Beginning of Year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Assets at End of Year	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

Legal Aid of Arkansas
Statement of Activities by Funding Source - Temporarily Restricted (cont'd)
For the Year Ended December 31, 2015

	<u>Other</u>	<u>Property</u>	<u>Total</u>
Support			
Grants and Contracts	\$ 48,867	\$	\$2,203,467
Donated Services			822,901
Attorney Fees			2,600
Miscellaneous			8,953
Interest Income			1,888
Total Support	<u>48,867</u>		<u>3,039,809</u>
Expenses			
Personnel			
Salaries	20,525		1,580,942
Fringe Benefits	3,722		256,723
Other			
Professional Dues			4,804
Audit			15,000
Insurance			25,415
Training and Travel			31,903
Local Mileage	20		55,039
Space Rent			17,674
Utilities and Janitorial			34,805
Office Supplies			30,912
Printing			32
Postage			17,547
Telecommunications			59,380
Library			16,142
Repairs and Maintenance			11,465
Litigation	250		3,538
Advertising			2,412
Miscellaneous	3,850		5,441
Subgrants			42,000
Donated Services			822,901
Depreciation		4,229	4,229
Total Expenses	<u>28,367</u>	<u>4,229</u>	<u>3,038,304</u>
Changes in Net Assets	20,500	(4,229)	1,505
Net Assets at Beginning of Year	<u>4,100</u>	<u>29,011</u>	<u>47,877</u>
Net Assets at End of Year	<u>\$ 24,600</u>	<u>\$ 24,782</u>	<u>\$ 49,382</u>

Legal Aid of Arkansas
Statements of Private Attorney Involvement
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support		
Grants and Contracts	\$ 185,664	\$ 188,998
Donated Services	763,931	822,901
Total Support	<u>949,595</u>	<u>1,011,899</u>
Expenses		
Personnel		
Salaries	119,777	112,967
Fringe Benefits	23,846	24,407
Other		
Professional Dues	666	33
Insurance	1,000	987
Training and Travel	6,947	2,816
Local Mileage	7,636	10,135
Space Rent	1,622	1,303
Office Supplies	7,709	4,603
Postage	1,491	3,131
Telecommunications	4,498	4,412
Library	1,132	1,197
Repairs and Maintenance	3,843	3,411
Litigation	846	456
Advertising	707	553
Miscellaneous	3,944	4,587
Subgrants		14,000
Donated Services	763,931	822,901
Total Expenses	<u>949,595</u>	<u>1,011,899</u>
Support over (under) Expenses	<u>\$</u>	<u>\$</u>



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors
Legal Aid of Arkansas
Jonesboro, Arkansas

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 Aid of Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements, and have issued our report thereon dated February 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid of Arkansas'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 Legal Aid of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Legal Aid of Arkansas'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 the entity'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

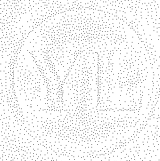
As part of obtaining reasonable assurance about whether Legal Aid of Arkansas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Benton, Arkansas
February 23, 2017

Joakim. Howell & Co., P.C.
Certified Public Accountants



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Legal Aid of Arkansas
Jonesboro, Arkansas

Report on Compliance for Each Major Federal Program

We have audited Legal Aid of Arkansas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Legal Aid of Arkansas's major federal programs for the year ended December 31, 2016. Legal Aid of Arkansas's major federal programs are identified in the summary of auditor's 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 Legal Aid of Arkansas's major federal programs based on our audit of the types of compliance requirement 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; 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); and Legal Services Corporation Office of Inspector General's *Audit Guide for Recipients and Auditors* (November 1996) and *2016 Compliance Supplement for Audits of LSC Recipients*. 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 Legal Aid of Arkansas'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 Legal Aid of Arkansas's compliance.

Opinion on Each Major Federal Program

In our opinion, Legal Aid of Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of Legal Aid of Arkansas 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 Legal Aid of Arkansas'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 Legal Aid of Arkansas'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 the 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.

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.

Goakum, Lawell & Co., PBC
Certified Public Accountants

Benton, Arkansas
February 23, 2017

Legal Aid of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

There were no prior year audit findings.

Legal Aid of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

A. Summary of Audit Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Legal Aid of Arkansas.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Legal Aid of Arkansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The independent auditors' report on compliance for the major federal award program expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in Part C. of this schedule.
7. The federal award program tested as a major program was the Legal Services Corporation (CFDA #09.604020).
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Legal Aid of Arkansas was determined to be a high-risk auditee.

B. Findings - Financial Statements Audit

None Noted

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None Noted