
**LEGAL SERVICES OF
EASTERN MISSOURI, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2017



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Independent Auditors' Report

Board of Directors
Legal Services of Eastern Missouri, Inc.
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of Legal Services of Eastern Missouri, Inc., a not-for-profit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 position of Legal Services of Eastern Missouri, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report On Summarized Comparative Information

We have previously audited Legal Services of Eastern Missouri, Inc.'s 2016 financial statements and our report dated April 18, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018 on our consideration of Legal Services of Eastern Missouri, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Legal Services of Eastern Missouri, Inc.'s internal control over financial reporting and compliance.

RubinBrown LLP

April 26, 2018

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(With Summarized Financial Information As Of December 31, 2016)

	Assets		
		2017	2016
Current Assets			
Cash and cash equivalents		\$ 1,815,646	\$ 476,285
Client trust deposits		8,226	68
Investments (Note 3)		4,560,854	4,360,000
Grants receivable (Note 4)		1,120,714	1,804,434
Unconditional promises to give, net (Note 5)		645,567	684,719
Prepaid expenses		119,545	106,823
Miscellaneous receivable		1,336	1,738
Total Current Assets		8,271,888	7,434,067
Investments (Note 3)		408,758	1,874,059
Unconditional Promises To Give - Long-Term (Note 5)		24,182	44,735
Property, Furniture And Equipment			
Land		350,000	350,000
Building (less accumulated depreciation of \$1,560,712 in 2017 and \$1,476,283 in 2016)		1,728,562	1,812,991
Furniture and equipment (less accumulated depreciation of \$291,552 in 2017 and \$475,925 in 2016)		206,295	63,117
Total Property, Furniture And Equipment		2,284,857	2,226,108
Assets Restricted For Permanent Endowment (Notes 3 And 7)		48,610	48,610
Total Assets		\$ 11,038,295	\$ 11,627,579
	Liabilities And Net Assets		
Current Liabilities			
Accounts payable		\$ 65,859	\$ 68,733
Accrued expenses		679,357	459,170
Current portion of capital lease obligations		35,773	—
Client trust deposits		8,226	68
Total Current Liabilities		789,215	527,971
Capital Lease Obligations (Note 6)		125,992	—
Total Liabilities		915,207	527,971
Net Assets			
Unrestricted:			
Investment in property, furniture, and equipment		2,284,857	2,226,108
Designated for building capital (Note 12)		850,000	850,000
Designated for Cy Pres reserve (Note 12)		842,106	842,106
Undesignated		4,392,049	4,608,401
Total Unrestricted Net Assets		8,369,012	8,526,615
Temporarily restricted (Note 8)		1,705,466	2,524,383
Permanently restricted (Note 8)		48,610	48,610
Total Net Assets		10,123,088	11,099,608
Total Liabilities And Net Assets		\$ 11,038,295	\$ 11,627,579

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2017 (With Summarized Financial Information For The Year Ended December 31, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Gains And Other Support					
Contributions:					
Public support	\$ 380,636	\$ 241,091	\$ —	\$ 621,727	\$ 572,095
United Way support	—	594,762	—	594,762	666,133
Grants (Note 4):					
Government grants	322,009	4,297,775	—	4,619,784	4,436,876
Foundation grants	—	285,464	—	285,464	1,460,884
Donated services	1,239,804	—	—	1,239,804	890,443
Special events	240,195	—	—	240,195	229,311
Program income	—	43,918	—	43,918	39,045
Investment income	63,406	1,620	—	65,026	59,261
Other income	25,445	—	—	25,445	25,347
Net assets released from restrictions (Note 8)	6,283,547	(6,283,547)	—	—	—
Total Revenue, Gains And Other Support	8,555,042	(818,917)	—	7,736,125	8,379,395
Expenses					
Program services	7,301,463	—	—	7,301,463	6,758,460
Management and general (Note 10)	852,536	—	—	852,536	899,893
Fundraising:					
Special events	108,751	—	—	108,751	109,650
Development	449,895	—	—	449,895	340,796
Total Expenses	8,712,645	—	—	8,712,645	8,108,799
Increase (Decrease) In Net Assets	(157,603)	(818,917)	—	(976,520)	270,596
Net Assets - Beginning Of Year	8,526,615	2,524,383	48,610	11,099,608	10,829,012
Net Assets - End Of Year	\$ 8,369,012	\$ 1,705,466	\$ 48,610	\$ 10,123,088	\$ 11,099,608

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2017 (With Summarized Financial Information For The Year Ended December 31, 2016)

	2017					2016	
	Program Services			Management And General	Fundraising And Development	Total	Total
	Unrestricted Fund	Restricted Funds	Total Program Services				
Salaries And Related Expenses							
Lawyers	\$ 251,629	\$ 2,214,245	\$ 2,465,874	\$ —	\$ —	\$ 2,465,874	\$ 2,463,521
Para-professionals	167,697	1,176,337	1,344,034	—	—	1,344,034	1,250,721
Other	106,261	183,008	289,269	512,229	236,983	1,038,481	970,662
Fringe benefits and payroll taxes	164,628	751,948	916,576	105,746	45,354	1,067,676	1,062,111
Volunteer staff	1,239,804	—	1,239,804	—	—	1,239,804	890,443
Total Salaries And Related Expenses	1,930,019	4,325,538	6,255,557	617,975	282,337	7,155,869	6,637,458
Other Expenses							
Contracted services	93,382	62,658	156,040	50,982	89,625	296,647	183,967
Judicare	—	71,810	71,810	—	—	71,810	60,081
Equipment rental or lease	30,169	52,784	82,953	12,979	6,686	102,618	77,392
Insurance	5,858	35,133	40,991	3,502	1,011	45,504	43,178
Library	7,857	26,168	34,025	2,250	—	36,275	53,045
Litigation	14,236	34,971	49,207	—	—	49,207	41,677
Loss on disposal of property	—	—	—	—	—	—	46,320
Interest	—	—	—	3,912	—	3,912	706
Occupancy:							
Unrestricted funds	23,312	—	23,312	24,868	13,927	62,107	73,451
Restricted funds	—	190,808	190,808	—	—	190,808	157,163
Office supplies and expense	21,904	48,224	70,128	8,626	30,562	109,316	146,707
Professional fees	—	—	—	42,400	—	42,400	41,200
Program travel	13,242	39,281	52,523	3,584	725	56,832	54,609
Telephone	5,195	41,705	46,900	3,181	1,588	51,669	46,083
Training	10,818	41,240	52,058	16,299	6,609	74,966	62,752
Depreciation	107,785	—	107,785	20,832	—	128,617	145,250
Other direct expenses:							
Unrestricted funds	51,740	—	51,740	41,146	125,576	218,462	188,469
Restricted funds	—	15,626	15,626	—	—	15,626	49,291
Total Other Expenses	385,498	660,408	1,045,906	234,561	276,309	1,556,776	1,471,341
Total Functional Expenses	\$ 2,315,517	\$ 4,985,946	\$ 7,301,463	\$ 852,536	\$ 558,646	\$ 8,712,645	\$ 8,108,799

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2017 (With Summarized Financial Information For The Year Ended December 31, 2016)

	2017	2016
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (976,520)	\$ 270,596
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	128,617	145,250
Loss on disposal of property	—	46,320
Unrealized gain on investments	(53)	—
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	683,720	(772,741)
(Increase) decrease in unconditional promises to give	59,705	(62,726)
(Increase) decrease in prepaid expenses	(12,722)	10,745
(Increase) decrease in miscellaneous receivable	402	(820)
Increase (decrease) in accounts payable	(2,874)	16,848
Increase in accrued expenses	220,187	28,394
Decrease in accrued severance pay	—	(5,534)
Net Cash Provided By (Used In) Operating Activities	100,462	(323,668)
Cash Flows From Investing Activities		
Proceeds from sale or maturity of investments	4,360,057	4,395,000
Purchases of investments	(3,095,557)	(3,865,000)
Payments for property, furniture and equipment	—	(78,973)
Net Cash Provided By Investing Activities	1,264,500	451,027
Cash Flows Used In Financing Activities		
Payments on capital lease obligations	(25,601)	(40,711)
Net Increase In Cash And Cash Equivalents	1,339,361	86,648
Cash And Cash Equivalents - Beginning Of Year	476,285	389,637
Cash And Cash Equivalents - End Of Year	\$ 1,815,646	\$ 476,285
Supplementary Cash Flow Information		
Interest paid	\$ 3,912	\$ 706
Noncash investing and financing activities:		
Acquisition of equipment under capital lease	187,366	—

LEGAL SERVICES OF EASTERN MISSOURI, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. Summary Of Significant Accounting Policies

Estimates And Assumptions

Legal Services of Eastern Missouri, Inc. (the Corporation) uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis Of Accounting

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting.

Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash And Cash Equivalents

The Corporation maintains several cash accounts at local banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per bank. As of December 31, 2017, the Corporation had cash deposits in excess of the insured limits of \$1,347,063. A portion of the cash balances are swept into repurchase agreements, which are collateralized by underlying government securities.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

Investments

The Corporation accounts for investments at fair value and at December 31, 2017 had investments of \$5,018,222 reported on the statement of financial position. The fair values of these investments were determined through quoted market prices in active markets (Level 1 as defined in ASC 820).

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Corporation management is of the opinion that an allowance for uncollectible grants receivable is not necessary at December 31, 2017.

Unconditional Promises To Give

Unconditional promises to give are recognized as support in the period the promises are received. The Corporation provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all promises to give. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing receivables. The allowance for doubtful accounts is \$2,774 as of December 31, 2017.

Restricted And Unrestricted Support And Revenue

The Corporation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Promises to give in the future are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Corporation has the policy of not investing in equity securities. If equity securities are contributed, they are recorded as a contribution at the fair value on the date of the contribution. They are converted to cash shortly thereafter.

Description Of Program And Supporting Services

Program

Includes those expenditures for programs and other items that enable the Corporation to provide legal assistance to qualified individuals.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

Management And General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Corporation's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Corporation.

Fundraising And Development

Provides the structure necessary to encourage and secure financial support from government agencies, corporations, foundations and individuals.

Property, Furniture And Equipment

Property, furniture and equipment are valued at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years. The building is being depreciated using the straight-line method over 39 years.

Repairs and maintenance charges, which do not increase the useful lives of the fixed assets, are charged to expense as incurred. Expenditures for betterments are capitalized.

Furniture and equipment acquired with Legal Services Corporation funds are considered to be owned by the Corporation while used in the current or future authorized programs. However, Legal Services Corporation has a reversionary interest in these assets. Proceeds from the sale of fixed assets are credited to the Legal Services Corporation Restricted Fund.

Donated furniture and equipment are valued at estimated fair value on the date of the donation.

Donated Services

Donated services valued at \$1,239,804 for 2017 represent services donated by attorneys and law students. Donated services are valued at rates comparable to those paid within the metropolitan legal community.

Donated services are recognized both as revenue and expense and, therefore, do not affect unrestricted net assets.

Functional Allocation Of Expenses

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

Grant and contract support received from funding organizations is used to help support the service areas as specified by the grant or contract. Expenses incurred in the specified service areas are charged against the grant or contract to the extent of support received, with allowable expenditures in excess of grant or contract support being borne by Legal Services Corporation and the Basic Civil Legal Services Fund. In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated as agreed by funding organizations or, in the absence of an agreement, on the basis that appears most reasonable to the Corporation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

2. Organization

The Corporation is a not-for-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons financially unable to afford legal assistance in St. Louis and the surrounding areas. The Corporation is principally funded through grants and contributions from Legal Services Corporation, Missouri Civil Legal Services Fund and United Way of Greater St. Louis, Inc.

Legal Services Corporation is a not-for-profit organization established by Congress to administer a nationwide legal assistance program. Funding for Legal Services Corporation is provided by an annual Congressional appropriation.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

3. Investments

Investments at December 31, 2017 consist of certificates of deposit bearing interest rates ranging from 0.8% to 1.8% and maturity dates ranging from January 2018 to May 2020. The cost of these investments is \$5,009,166 and the fair value is \$5,018,222 at December 31, 2017.

Investments are included within the following captions on the statement of financial position:

Current assets - investments	\$ 4,560,854
Investments	408,758
Assets restricted for permanent endowment	<u>48,610</u>
	<u>\$ 5,018,222</u>

4. Summary Of Funding And Grants Receivable

Legal Services of Eastern Missouri, Inc. is funded primarily through grants from Legal Services Corporation and the Missouri Civil Legal Services Fund. The Corporation also receives other grant funds from contracts and grants with state and local governmental organizations. The Corporation's primary funding grants and contracts in effect during 2017 were as follows:

Temporarily Restricted Support And Revenues Grants

Legal Services Corporation:	
Basic grant	\$ 1,613,750
Private attorney involvement	297,852
Rural Stipend Fund	<u>5,000</u>
	1,916,602
Missouri Civil Legal Services Fund	1,135,545
Missouri Department of Social Services	347,787
Missouri Department of Public Safety	57,738
St. Louis City Mental Health Board	134,010
St. Louis County Children's Service Fund	111,127
St. Louis Economic Development Partnership	100,000
Missouri Lawyers Trust (IOLTA)	88,971
U.S. Department of Justice	222,029
Connectings Kid to Coverage Outreach and Enrollment	136,223
Other Temporarily Restricted Grants	<u>333,207</u>
	<u>\$ 4,583,239</u>

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

Unrestricted Revenues

Grants

Missouri Bar dues	\$ 322,009
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Grants Receivable

Missouri Foundation for Health	\$ 797,242
St Louis Mental Health Board	18,974
Missouri Department of Social Services	8,181
Connecting Kids to Coverage Outreach and Enrollment	39,888
Legal Services - Pro Bono	32,000
Department of Justice	71,174
St. Louis County Economic Council	14,376
Missouri Health Net	62,500
Various other grants	76,379
	<hr/>
	\$ 1,120,714

5. Unconditional Promises To Give

Unconditional promises to give are expected to be collected as follows:

Year	Amount
2018	\$ 648,341
2019	22,753
2020	800
2021	700
2022	200
Thereafter	400
	<hr/>
	673,194
Less: Discount	671
Less: Allowance for uncollectibles	2,774
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	\$ 669,749

At December 31, 2017, all promises to give are temporarily restricted. Unconditional promises to give include \$574,365, which is due from the United Way of Greater St. Louis, Inc.

6. Capital Lease Obligations

The Corporation is involved in multiple equipment leases entered into during 2017. These leases are considered to be equivalent to installment purchases for purposes of accounting presentation. Assets under capital leases are capitalized using interest rates appropriate at the inception of the related lease and amortized over the life of the lease. Amortization of such assets is include in depreciation expense. The gross amount of equipment and related accumulated depreciation recorded under these capital leases were \$187,367 and \$19,776, respectively, at December 31, 2017.

Future minimum lease payments at December 31, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 41,721
2019	41,721
2020	41,721
2021	41,721
2022	12,207
Total minimum obligations	179,090
Less: Amounts representing future interest	17,325
Present value of minimum lease payments	<u>\$ 161,765</u>

7. Endowment Funds

The Corporation's endowment fund consists of donor-restricted endowment funds. As required under ASC 958-210, assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation Of State Law

The Corporation has interpreted Missouri State Statutes as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets the original value of donor-restricted gifts to permanent endowment and the original value of subsequent gifts to the permanent endowment. The investment earnings generated by donor-restricted endowment funds are classified as temporarily restricted net assets until appropriated for expenditure.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

As of December 31, 2017, the Corporation had the following endowment funds:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 9,056	\$ 48,610	\$ 57,666

8. Net Assets

Temporarily restricted net assets consist of the following:

Unappropriated endowment earnings	\$ 9,056
Grants and contributions - subject to time restrictions	1,696,410
	<u>\$ 1,705,466</u>

Net assets were released from donor-imposed restrictions as follows:

Legal Services Corporation	\$ 2,026,053
Missouri Civil Legal Services Fund	1,135,545
United Way	660,826
Missouri Department of Public Safety	57,738
St. Louis City Mental Health Board	271,641
Missouri Department of Social Services	250,000
Connecting Kids to Coverage Outreach and Enrollment	136,223
St. Louis County Economic Development Partnership	100,000
Missouri Domestic Violence Support Services	86,278
Missouri Foundation for Health	613,215
Missouri Lawyers Trust (IOLTA)	148,739
United States Department of Justice	222,029
St. Louis County Children's Service Fund	111,127
Various other programs	464,133
	<u>\$ 6,283,547</u>

Permanently restricted net assets consist of investments of \$48,610, which are restricted for general endowment.

9. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a “private foundation” within the meaning of Section 509(a) of the Code. Therefore, no provision for income taxes has been made in the financial statements. The Corporation’s federal tax returns for tax years 2014 and later remain subject to examination by taxing authorities.

10. Management, Administrative And General Costs

The Corporation estimates that its management, administrative and general costs (which include overall direction, accounting, budgeting, general Board activities and related items, administrative costs and volunteer efforts) were \$852,536 (11% of revenue, gains and other support) in 2017.

11. Deferred Compensation Plan

The Corporation has a qualified, noncontributory, trustee profit sharing plan covering eligible full-time employees. The plan provides for contributions by the Corporation in such amounts as the Board of Directors may annually determine. The Corporation will make contributions of \$194,698 in 2018 which is included in accrued expenses on the balance sheet.

12. Designated For Building Capital And Cy Pres Reserve

In July 2014, the Corporation received a onetime cy pres settlement payment award of \$2,000,000. The Corporation has an agreement with the other three Missouri legal services organizations to share all settlements in proportion to the poverty population. Due to a court-imposed restriction, the Corporation was not able to share this settlement award in accordance with the agreement. Therefore, the Corporation will forego its share of all subsequent settlement awards received by the four Missouri legal services organizations until the other three Missouri legal services organizations have been compensated for the amount they would have received had the Corporation shared this settlement award. This is estimated to take approximately five years.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements *(Continued)*

In November 2014, the Board of Directors established two designated funds. A Cy Pres Designated Fund was established in the amount of \$1,150,000. This fund is to be released annually, at the discretion of the Board, to offset lost settlement funds the Corporation would have otherwise received over the next five years, as discussed above. The Board released no funds in 2017. The Board released \$307,894 of these funds in 2016.

Additionally, a Building Capital and Litigation Related Expenses Designated Fund in the amount of \$850,000 was established to provide funds for future unexpected capital and building related expenses.

13. Contingencies

From time to time, the Corporation is subject to lawsuits and claims that arise out of the normal course of business. In the opinion of management, the disposition of such actions of which it is aware will not have a material effect on the financial position of the Corporation.

Independent Auditors' Report On Supplementary Information

Board of Directors
Legal Services of Eastern Missouri, Inc.
St. Louis, Missouri

We have audited the financial statements of Legal Services of Eastern Missouri, Inc. as of and for the year ended December 31, 2017, and our report thereon dated April 26, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of revenues, expenses and changes in net assets on the fund accounting basis and schedule of support, revenues, expenses and changes in net assets for Legal Services Corporation funds, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

April 26, 2018

LEGAL SERVICES OF EASTERN MISSOURI, INC.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FUND ACCOUNTING BASIS

For The Year Ended December 31, 2017

(With Summarized Financial Information For The Year Ended December 31, 2016)

	Temporarily Restricted							Permanently Restricted Funds	2017 Total	2016 Total
	Unrestricted Fund	Legal Services Corporation Fund	Private Attorney Involvement	Pro Bono Innovation Fund	Rural Stipend Fund	Other Funds	Total Temporarily Restricted Funds			
Public Support And Revenues										
Contributions:										
Public support	\$ 380,636	\$ —	\$ —	\$ —	\$ —	\$ 241,091	\$ 241,091	\$ —	\$ 621,727	\$ 572,095
United Way support	—	—	—	—	—	594,762	594,762	—	594,762	666,133
Grants:										
Government grants	322,009	1,613,750	297,852	—	5,000	2,381,173	4,297,775	—	4,619,784	4,436,876
Foundation grants	—	—	—	—	—	285,464	285,464	—	285,464	1,460,884
Other revenues:										
Donated services	1,239,804	—	—	—	—	—	—	—	1,239,804	890,443
Special events	240,195	—	—	—	—	—	—	—	240,195	229,311
Program income	—	43,298	—	—	—	620	43,918	—	43,918	39,045
Investment income	63,406	1,591	—	—	—	29	1,620	—	65,026	59,261
Other income	25,445	—	—	—	—	—	—	—	25,445	25,347
Total Public Support And Revenues	2,271,495	1,658,639	297,852	—	5,000	3,503,139	5,464,630	—	7,736,125	8,379,395
Expenses										
Program services	2,105,465	903,641	297,852	64,562	—	3,817,158	5,083,213	—	7,188,678	6,637,537
Supporting services - management and general	207,592	440,795	—	—	—	183,317	624,112	—	831,704	875,566
Other	—	—	—	—	5,000	—	5,000	—	5,000	—
Fundraising and development	55,226	314,203	—	—	—	189,217	503,420	—	558,646	450,446
Depreciation	128,617	—	—	—	—	—	—	—	128,617	145,250
Total Expenses	2,496,900	1,658,639	297,852	64,562	5,000	4,189,692	6,215,745	—	8,712,645	8,108,799
Excess (Deficiency) Of Public Support And Revenues Over Expenses	(225,405)	—	—	(64,562)	—	(686,553)	(751,115)	—	(976,520)	270,596
Expiration Of Program And Time Restrictions	67,802	—	—	—	—	(67,802)	(67,802)	—	—	—
Increase (Decrease) In Fund Balance	(157,603)	—	—	(64,562)	—	(754,355)	(818,917)	—	(976,520)	270,596
Fund Balance - Beginning Of Year	8,526,615	—	—	64,562	—	2,459,821	2,524,383	48,610	11,099,608	10,829,012
Fund Balance - End Of Year	\$ 8,369,012	\$ —	\$ —	\$ —	\$ —	\$ 1,705,466	\$ 1,705,466	\$ 48,610	\$ 10,123,088	\$ 11,099,608

LEGAL SERVICES OF EASTERN MISSOURI, INC.

SCHEDULE OF SUPPORT, REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR LEGAL SERVICES CORPORATION FUNDS

**For The Year Ended December 31, 2017
(With Summarized Financial Information
For The Year Ended December 31, 2016)**

	2017							2016
	Basic Field Grant	Private Attorney Involvement	Pro Bono Innovation Fund Grant	Rural Stipend	Total	Property	Grand Total	Grand Total
Support And Revenue								
Grants:								
Government grants	\$ 1,613,750	\$ 297,852	\$ —	\$ 5,000	\$ 1,916,602	\$ —	\$ 1,916,602	\$ 1,932,571
Donated services	—	1,239,804	—	—	1,239,804	—	1,239,804	890,443
Program income:								
Attorneys' fees	43,298	—	—	—	43,298	—	43,298	37,950
Investment income:								
Interest income	1,591	—	—	—	1,591	—	1,591	1,399
Total Support And Revenue	1,658,639	1,537,656	—	5,000	3,201,295	—	3,201,295	2,862,363
Expenses								
Salaries and related expenses:								
Lawyers	249,480	71,340	38,884	—	359,704	—	359,704	792,432
Para-professionals	248,729	50,858	14,240	—	313,827	—	313,827	417,652
Other	691,604	45,011	—	5,000	741,615	—	741,615	297,672
Employee benefits	264,844	36,456	9,133	—	310,433	—	310,433	322,021
Donated services	—	1,239,804	—	—	1,239,804	—	1,239,804	890,443
Total salaries and related expenses	1,454,657	1,443,469	62,257	5,000	2,965,383	—	2,965,383	2,720,220
Other expenses:								
Contracted services	28,298	—	—	—	28,298	—	28,298	9,034
Judicare	—	71,810	—	—	71,810	—	71,810	60,081
Equipment rental or lease	14,685	1,838	—	—	16,523	—	16,523	1,111
Insurance	7,923	935	—	—	8,858	—	8,858	5,715
Library	5,611	1,005	—	—	6,616	—	6,616	11,266
Litigation	4,155	3,021	—	—	7,176	—	7,176	7,219
Occupancy	63,385	7,660	—	—	71,045	—	71,045	35,793
Office supplies and expense	21,837	1,840	—	—	23,677	—	23,677	10,199
Professional fees	10,316	—	—	—	10,316	—	10,316	9,970
Program travel	4,129	788	—	—	4,917	—	4,917	17,695
Telephone	21,007	950	—	—	21,957	—	21,957	16,730
Training	21,468	3,331	2,305	—	27,104	—	27,104	13,306
Loss on disposal of property	—	—	—	—	—	—	—	21,150
Other direct expenses	1,168	1,009	—	—	2,177	—	2,177	25,492
Total other expenses	203,982	94,187	2,305	—	300,474	—	300,474	244,761
Total Expenses	1,658,639	1,537,656	64,562	5,000	3,265,857	—	3,265,857	2,964,981
Total Changes In Net Assets	—	—	(64,562)	—	(64,562)	—	(64,562)	(102,618)
Net Assets - Beginning Of Year	—	—	64,562	—	64,562	—	64,562	167,180
Net Assets - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 64,562