
**LEGAL SERVICES OF
EASTERN MISSOURI, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2018



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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, 2018, 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, 2018, 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.

Emphasis Of Matter

As discussed in Note 1, Legal Services of Eastern Missouri, Inc. adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2018. Our opinion is not modified with respect to this matter.

Report On Summarized Comparative Information

We have previously audited Legal Services of Eastern Missouri, Inc.'s 2017 financial statements and our report dated April 26, 2018 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, 2017, 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 29, 2019 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 29, 2019

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Summarized Financial Information As Of December 31, 2017)

	Assets	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 2,196,053	\$ 1,815,646
Client trust deposits	1,336	8,226
Investments (Note 3)	7,159,753	4,560,854
Grants receivable (Note 4)	667,577	1,120,714
Unconditional promises to give, net (Note 5)	619,080	645,567
Prepaid expenses	67,619	119,545
Miscellaneous receivable	11,571	1,336
Total Current Assets	10,722,989	8,271,888
Investments (Note 3)	894,084	408,758
Unconditional Promises To Give - Long-Term (Note 5)	48,625	24,182
Property, Furniture And Equipment		
Land	350,000	350,000
Building (less accumulated depreciation of \$1,645,140 in 2018 and \$1,560,712 in 2017)	1,644,134	1,728,562
Furniture and equipment (less accumulated depreciation of \$250,4180 in 2018 and \$291,552 in 2017)	183,083	206,295
Total Property, Furniture And Equipment	2,177,217	2,284,857
Assets Restricted For Permanent Endowment (Notes 3 And 7)	48,610	48,610
Total Assets	\$ 13,891,525	\$ 11,038,295
	Liabilities And Net Assets	
Current Liabilities		
Accounts payable	\$ 121,048	\$ 65,859
Accrued expenses	657,340	679,357
Current portion of capital lease obligations (Note 6)	42,366	35,773
Client trust deposits	1,336	8,226
Total Current Liabilities	822,090	789,215
Capital Lease Obligations (Note 6)	104,187	125,992
Total Liabilities	926,277	915,207
Net Assets		
Without Donor Restrictions:		
Investment in property, furniture, and equipment	2,030,664	2,123,092
Designated for building capital (Note 12)	2,000,000	850,000
Designated for Cy Pres reserve for operations (Note 12)	1,500,000	842,106
Designated for Teitelman Fund (Note 12)	1,000,000	—
Undesignated	5,043,927	4,553,814
Total Net Assets Without Donor Restrictions	11,574,591	8,369,012
With donor restrictions (Note 8)	1,390,657	1,754,076
Total Net Assets	12,965,248	10,123,088
Total Liabilities And Net Assets	\$ 13,891,525	\$ 11,038,295

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2018 (With Summarized Financial Information For The Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains And Other Support				
Contributions:				
Public support	\$ 3,206,307	\$ 314,336	\$ 3,520,643	\$ 621,727
United Way support	—	585,462	585,462	594,762
Grants (Note 4):				
Government grants	307,692	5,433,123	5,740,815	4,619,784
Foundation grants	—	758,039	758,039	285,464
Donated services	1,766,113	—	1,766,113	1,239,804
Special events	216,961	—	216,961	240,195
Program income	34,200	16,540	50,740	43,918
Investment income	105,742	2,442	108,184	65,026
Other income	41,490	—	41,490	25,445
Net assets released from restrictions (Note 8)	7,473,361	(7,473,361)	—	—
Total Revenue, Gains And Other Support	13,151,866	(363,419)	12,788,447	7,736,125
Expenses				
Program services	8,514,246	—	8,514,246	7,301,463
Management and general (Note 10)	1,033,691	—	1,033,691	852,536
Fundraising:				
Special events	102,099	—	102,099	108,751
Development	296,251	—	296,251	449,895
Total Expenses	9,946,287	—	9,946,287	8,712,645
Increase (Decrease) In Net Assets	3,205,579	(363,419)	2,842,160	(976,520)
Net Assets - Beginning Of Year	8,369,012	1,754,076	10,123,088	11,099,608
Net Assets - End Of Year	\$ 11,574,591	\$ 1,390,657	\$ 12,965,248	\$ 10,123,088

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2018 (With Summarized Financial Information For The Year Ended December 31, 2017)

	2018			2017	
	Program Services	Management And General	Fundraising And Development	Total	Total
Salaries And Related Expenses					
Lawyers	\$ 2,853,316	\$ —	\$ —	\$ 2,853,316	\$ 2,465,874
Para-professionals	1,478,758	—	—	1,478,758	1,344,034
Other	199,827	565,119	130,162	895,108	1,038,481
Fringe benefits and payroll taxes	1,039,857	114,960	51,697	1,206,514	1,067,676
Volunteer staff	1,766,113	—	—	1,766,113	1,239,804
Total Salaries And Related Expenses	7,337,871	680,079	181,859	8,199,809	7,155,869
Other Expenses					
Contracted services	158,386	161,510	25,918	345,814	296,647
Judicare	96,332	—	—	96,332	71,810
Equipment rental and computer maintenance	164,320	27,477	14,682	206,479	102,618
Insurance	41,095	3,333	1,373	45,801	45,504
Library	52,474	160	385	53,019	36,275
Litigation	47,128	—	—	47,128	49,207
Loss on disposal of property	—	3,734	—	3,734	—
Interest	—	6,421	—	6,421	3,912
Occupancy	209,621	19,217	10,696	239,534	252,915
Office supplies and expense	71,833	14,554	32,015	118,402	109,316
Professional fees	—	42,400	—	42,400	42,400
Program travel	42,656	7,775	407	50,838	56,832
Telephone	48,646	6,899	2,406	57,951	51,669
Training	65,204	8,248	2,168	75,620	74,966
Depreciation	123,214	12,234	6,754	142,202	128,617
Other direct expenses	55,466	39,650	119,687	214,803	234,088
Total Other Expenses	1,176,375	353,612	216,491	1,746,478	1,556,776
Total Functional Expenses	\$ 8,514,246	\$ 1,033,691	\$ 398,350	\$ 9,946,287	\$ 8,712,645

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2018 (With Summarized Financial Information For The Year Ended December 31, 2017)

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 2,842,160	\$ (976,520)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	142,202	128,617
Loss on disposal of property	3,734	—
Unrealized gain on investments	(1,965)	(53)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	453,137	683,720
Unconditional promises to give	2,044	59,705
Prepaid expenses	51,926	(12,722)
Miscellaneous receivable	(10,235)	402
Increase (decrease) in liabilities:		
Accounts payable	55,189	(2,874)
Accrued expenses	(22,017)	220,187
Net Cash Provided By Operating Activities	3,516,175	100,462
Cash Flows From Investing Activities		
Proceeds from sale or maturity of investments	9,564,972	4,360,057
Purchases of investments	(12,647,232)	(3,095,557)
Payments for property, furniture and equipment	(15,528)	—
Net Cash Provided By (Used In) Investing Activities	(3,097,788)	1,264,500
Cash Flows Used In Financing Activities		
Payments on capital lease obligations	(37,980)	(25,601)
Net Increase In Cash And Cash Equivalents	380,407	1,339,361
Cash And Cash Equivalents - Beginning Of Year	1,815,646	476,285
Cash And Cash Equivalents - End Of Year	\$ 2,196,053	\$ 1,815,646
Supplementary Cash Flow Information		
Interest paid	\$ 6,421	\$ 3,912
Noncash investing and financing activities:		
Acquisition of equipment under capital lease	22,768	187,366

LEGAL SERVICES OF EASTERN MISSOURI, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 (FASB) for not-for-profit organizations. Accordingly, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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, 2017, 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, 2018, the Corporation had cash deposits in excess of the insured limits of \$1,626,846. 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, 2018 had investments of \$8,102,447 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, 2018.

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, 2018.

Support And Revenue With Donor Restrictions And Without Donor Restrictions

The Corporation reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit the use of the donated assets. Promises to give in the future are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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. The Corporation does not currently have any furniture or equipment that were acquired with Legal Services Corporation funds.

Donated Services

Donated services valued at \$1,766,113 for 2018 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 net assets without donor restrictions.

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. Salaries, payroll taxes, fringe benefits and related costs are allocated based on actual hours worked. The remaining costs are allocated based on the percentage distribution of salaries.

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 the Basic Civil Legal Services Fund, United Way, and unrestricted donations. 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.

New Accounting Pronouncement

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements *(Continued)*

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.

3. Investments

Investments at December 31, 2018 consist of certificates of deposit bearing interest rates ranging from 1.00% to 3.00% and maturity dates ranging from January 2019 to November 2020. The cost of these investments is \$8,093,363 and the fair value is \$8,102,447 at December 31, 2018.

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

Current assets - investments	\$ 7,159,753
Investments	894,084
Assets restricted for permanent endowment	<u>48,610</u>
	<u>\$ 8,102,447</u>

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

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 2018 were as follows:

Temporarily Restricted Support And Revenues Grants

Legal Services Corporation:	
Basic grant	\$ 1,707,103
Private attorney involvement	316,706
Rural Stipend Fund	5,000
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	2,028,809
Missouri Civil Legal Services Fund	1,860,647
Missouri Department of Social Services	527,072
St. Louis City Mental Health Board	346,026
St. Louis County Children's Service Fund	91,193
Missouri Lawyers Trust (IOLTA)	520,023
U.S. Department of Justice	208,444
Connectings Kid to Coverage Outreach and Enrollment	112,809
Other temporarily restricted grants	496,139
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	\$ 6,191,162
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Unrestricted Revenues Grants

Missouri Bar dues	\$ 307,692
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Grants Receivable

Missouri Foundation for Health	\$ 366,142
St Louis Mental Health Board	62,701
Missouri Department of Social Services	141,078
Connecting Kids to Coverage Outreach and Enrollment	19,062
Department of Justice	47,096
Various other grants	31,498
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	\$ 667,577
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LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

5. Unconditional Promises To Give

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

<u>Year</u>	<u>Amount</u>
2019	\$ 622,525
2020	25,100
2021	19,325
2022	3,800
2023	200
Thereafter	200
	<u>671,150</u>
Less: Discount	671
Less: Allowance for uncollectibles	<u>2,774</u>
	<u>\$ 667,705</u>

At December 31, 2018, all promises to give are considered to have donor restrictions. Unconditional promises to give include \$559,927, 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 \$210,135 and \$57,871, respectively, at December 31, 2018.

Future minimum lease payments at December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 47,212
2020	46,138
2021	45,010
2022	<u>19,033</u>
Total minimum obligations	157,393
Less: Amounts representing future interest	<u>10,840</u>
Present value of minimum lease payments	<u>\$ 146,553</u>

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

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 the original value of donor-restricted gifts to permanent endowment and the original value of subsequent gifts to the permanent endowment as net assets with donor restriction. The investment earnings generated by donor-restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure.

As of December 31, 2018, the Corporation had the following endowment funds:

	<u>Unrestricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Endowment funds</u>	\$ —	\$ 57,694	\$ 57,694

8. Net Assets

Net assets with donor restrictions consist of the following:

Unappropriated endowment earnings	\$ 9,084
Endowment principal	48,610
Grants and contributions - subject to time restrictions	<u>1,332,963</u>
	<u>\$ 1,390,657</u>

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

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

Legal Services Corporation	\$ 2,047,762
Missouri Civil Legal Services Fund	1,860,647
Missouri Foundation for Health	607,706
United Way	599,900
Missouri Department of Social Services	527,072
Missouri Lawyers Trust (IOLTA)	428,674
St. Louis City Mental Health Board	330,928
United States Department of Justice	205,198
Connecting Kids to Coverage Outreach and Enrollment	112,809
St. Louis County Children's Service Fund	91,193
St. Louis Development Corporation	70,125
City of St. Louis Department of Health	64,660
Husch Blackwell	55,000
Guerri Chair	50,000
Northeast Missouri Area Agency on Aging	49,743
St. Louis Area Agency on Aging	49,696
EJW Fellowship	44,516
Teitelman Chair	37,994
Various other programs	239,738
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	\$ 7,473,361
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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. The Corporation is subject to taxation to the extent it incurs unrelated business taxable income. The Corporation does not anticipate owing any unrelated business income taxes for 2018; therefore, no provision for income taxes has been made in the financial statements. The Corporation's federal tax returns for tax years 2015 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 \$1,033,691 (8% of revenue, gains and other support) in 2018.

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 incurred contributions of \$202,972 in 2018 which are included in accrued expenses on the balance sheet.

12. Designated For Building Capital And Cy Pres Reserve

The Corporation has an agreement with the three other Missouri legal services organizations to share all cy pres settlements in proportion to their respective poverty populations. Cy pres settlements were awarded to the Corporation in the amount of \$2,000,000 in 2014 and \$2,841,020 in 2018 with the requirement that they remain with the Corporation. Therefore, the Corporation will forego its share of future awards under the agreement until the other three Missouri legal services organizations have been compensated from subsequent settlement awards. The other agencies were fully compensated in 2018 for the \$2,000,000 award from 2014. Management estimates that it will take approximately ten years for the other three agencies to be fully compensated for the \$2,841,020 awarded in 2018.

Recognizing that the Corporation will forego sharing in future cy pres settlements for approximately ten years, the Board of Directors made the following designations in 2018:

- \$1,000,000 of the 2018 cy pres award was designated to establish the Teitelman Fund to support an attorney position for advocacy work in the spirit of the work done by Judge Teitelman during his tenure.
- \$1,150,000 of the 2018 cy pres award was designated to the Building Capital and Litigation Related Expense Reserve fund, bringing this fund balance to \$2,000,000 as of December 31, 2018.
- \$657,894 from the combined cy pres awards were designated to the Cy Pres Reserve for operations. This fund is to be released annually at the discretion of the Board, to offset lost settlement funds the Corporation would have otherwise received under the sharing agreement. The board did not release any funds from the Cy Pres Reserve for operations in either 2017 or 2018, making the fund balance \$1,500,000 at the end of 2018.

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.

14. Liquidity And Availability Of Financial Assets

The following reflects Corporation's liquidity within the next twelve months based on current assets as of the statement of financial position date. Amounts not available include amounts not available for general use because of contractual or donor-imposed restrictions and amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action. The Corporation generally maintains operating reserves sufficient to meet 4 - 6 months of operating expenses.

Current assets, excluding nonfinancial assets	\$ 10,722,989
Less:	
Client trust deposits	1,336
Prepaid expenses	67,619
Donor-restrictions for specific purposes	1,361,664
Board-designated operating reserves and other	<u>4,500,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,792,370</u>

The Corporation's working capital and cash flow fluctuations during the year are mainly attributable to various fundraising events and a concentration of contributions received near calendar year-end. To manage liquidity, the Corporation maintains reserves for operations in certificates of deposit and government securities with laddered maturity dates.



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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, 2018, and our report thereon dated April 29, 2019 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 29, 2019

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, 2018

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

	Without Donor Restrictions	Corporation Fund	Attorney Involvement	Stipend Fund	General Endowment	Other Funds	With Donor Restrictions	2018 Total	2017 Total
Public Support And Revenues									
Contributions:									
Public support	\$ 3,206,307	\$ —	\$ —	\$ —	\$ —	\$ 314,336	\$ 314,336	\$ 3,520,643	\$ 621,727
United Way support	—	—	—	—	—	585,462	585,462	585,462	594,762
Grants:									
Government grants	307,692	1,707,103	316,706	5,000	—	3,404,314	5,433,123	5,740,815	4,619,784
Foundation grants	—	—	—	—	—	758,039	758,039	758,039	285,464
Other revenues:									
Donated services	1,766,113	—	—	—	—	—	—	1,766,113	1,239,804
Special events	216,961	—	—	—	—	—	—	216,961	240,195
Program income	34,200	16,540	—	—	—	—	16,540	50,740	43,918
Investment income	105,742	2,413	—	—	—	29	2,442	108,184	65,026
Other income	41,490	—	—	—	—	—	—	41,490	25,445
Gain on lease disposal	—	—	—	—	—	—	—	—	—
Total Public Support And Revenues	5,678,505	1,726,056	316,706	5,000	—	5,062,180	7,109,942	12,788,447	7,736,125
Expenses									
Program services	1,866,166	1,352,240	316,706	—	—	4,850,920	6,519,866	8,386,032	7,188,678
Supporting services - management and general	339,363	187,687	—	—	—	494,408	682,095	1,021,458	831,704
Other	—	—	—	5,000	—	—	5,000	5,000	5,000
Fundraising and development	131,949	186,129	—	—	—	80,271	266,400	398,349	558,646
Depreciation	135,448	—	—	—	—	—	—	135,448	128,617
Total Expenses	2,472,926	1,726,056	316,706	5,000	—	5,425,599	7,473,361	9,946,287	8,712,645
Increase (Decrease) In Fund Balance	3,205,579	—	—	—	—	(363,419)	(363,419)	2,842,160	(976,520)
Fund Balance - Beginning Of Year	8,369,012	—	—	—	48,610	1,705,466	1,754,076	10,123,088	11,099,608
Fund Balance - End Of Year	\$ 11,574,591	\$ —	\$ —	\$ —	\$ 48,610	\$ 1,342,047	\$ 1,390,657	\$ 12,965,248	\$ 10,123,088

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, 2018
(With Summarized Financial Information
For The Year Ended December 31, 2017)

	2018						2017	
	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	\$ 1,707,103	\$ 316,706	\$ —	\$ 5,000	\$ 2,028,809	\$ —	\$ 2,028,809	\$ 1,916,602
Donated services	—	1,766,113	—	—	1,766,113	—	1,766,113	1,239,804
Program income:								43,298
Attorneys' fees	16,540	—	—	—	16,540	—	16,540	—
Investment income:								
Interest income	2,413	—	—	—	2,413	—	2,413	1,591
Total Support And Revenue	1,726,056	2,082,819	—	5,000	3,813,875	—	3,813,875	3,201,295
Expenses								
Salaries and related expenses:								
Lawyers	550,357	71,828	—	—	622,185	—	622,185	359,704
Para-professionals	353,768	91,412	—	—	445,180	—	445,180	313,827
Other	317,275	1,211	—	5,000	323,486	—	323,486	741,615
Employee benefits	294,539	33,661	—	—	328,200	—	328,200	310,433
Donated services	—	1,766,113	—	—	1,766,113	—	1,766,113	1,239,804
Total salaries and related expenses	1,515,939	1,964,225	—	5,000	3,485,164	—	3,485,164	2,965,383
Other expenses:								
Contracted services	43,625	2,631	—	—	46,256	—	46,256	28,298
Judicare	—	96,332	—	—	96,332	—	96,332	71,810
Equipment rental or lease	—	—	—	—	—	—	—	—
Computer maintenance	27,566	5,249	—	—	32,815	—	32,815	16,582
Insurance	6,935	1,048	—	—	7,983	—	7,983	8,858
Library	3,693	1,584	—	—	5,277	—	5,277	6,616
Litigation	10,859	—	—	—	10,859	—	10,859	7,176
Occupancy	30,215	7,556	—	—	37,771	—	37,771	71,045
Office supplies and expense	23,856	1,890	—	—	25,746	—	25,746	23,618
Professional fees	14,133	—	—	—	14,133	—	14,133	10,316
Program travel	8,744	774	—	—	9,518	—	9,518	4,917
Telephone	13,064	1,382	—	—	14,446	—	14,446	21,957
Training	22,000	46	—	—	22,046	—	22,046	27,104
Loss on disposal of property	—	—	—	—	—	—	—	—
Other direct expenses	5,427	102	—	—	5,529	—	5,529	2,177
Total other expenses	210,117	118,594	—	—	328,711	—	328,711	300,474
Total Expenses	1,726,056	2,082,819	—	5,000	3,813,875	—	3,813,875	3,265,857
Total Changes In Net Assets	—	—	—	—	—	—	—	(64,562)
Net Assets - Beginning Of Year	—	—	—	—	—	—	—	64,562
Net Assets - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —