

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2017 and 2016**

**(With Independent Auditor's Report Thereon)**

NEIGHBORHOOD LEGAL SERVICES, INC.

Table of Contents

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	<b>1-2</b>
<b>Financial Statements:</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4-5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements .....	9-17
<b>Supplementary Information - Schedules 1 to 6:</b>	
Schedule of Expenditures of Federal Awards.....	18-19
Notes to Schedule of Expenditures of Federal Awards .....	20
Schedule of Activities by Grant .....	21-29
Schedule of Private Attorney Involvement Revenue and Expenses .....	30
Schedule of Expenditures of Excess LSC Fund Balance .....	31
Schedule of Revenue and Expenditures Compared to Budget and Questioned Costs CDBG Grant CD-H0000412 .....	32
Schedule of Revenue and Expenditures Compared to Budget and Questioned Costs CDBG Grant CD-H0000507 .....	33
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	<b>34-35</b>
<b>Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance</b> .....	<b>36-38</b>
<b>Schedule of Prior Year Findings and Schedule of Findings and Questioned Costs</b> .....	<b>39-40</b>

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Neighborhood Legal Services, Inc.  
Buffalo, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Neighborhood Legal Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 and the Legal Services Corporation's *Audit Guide for Recipients and Auditors*, dated November 1996 and *Compliance Supplement for Audits of LSC Recipients*, dated April 2016. Those standards require that we plan and perform the audit 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. 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.

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## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Legal Services, Inc. as of December 31, 2017 and 2016, 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 and Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements of Neighborhood Legal Services, Inc. as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards* (Uniform Guidance), and is 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018 on our consideration of Neighborhood Legal Services, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Legal Services, Inc.'s internal control over financial reporting and compliance.

*Amato, Fox & Company, P.C.*

April 25, 2018

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statements of Financial Position  
December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash	\$ 610,990	\$ 741,862
Client escrow account	10,820	9,564
Receivables	1,248,419	2,063,977
Prepaid expenses	67,930	51,249
Total current assets	1,938,159	2,866,652
<b>Property and equipment</b> , net of accumulated depreciation of \$1,169,263 and \$1,121,242 in 2017 and 2016	180,115	198,469
<b>Other assets:</b>		
Security deposit	8,250	8,250
<b>Total assets</b>	<b>\$ 2,126,524</b>	<b>\$ 3,073,371</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 95,648	\$ 235,348
Accrued expenses	287,213	354,628
Employee payroll deductions	19,473	19,549
Client trust deposits	10,820	9,564
Refundable advances	324,755	501,770
Total liabilities	737,909	1,120,859
<b>Net assets:</b>		
Temporarily restricted:		
Legal Services Corporation:		
Grant	64,850	483,304
Property	11,154	8,640
Total Legal Services Corporation net assets	76,004	491,944
Other	364,698	487,188
Total temporarily restricted	440,702	979,132
Unrestricted	947,913	973,380
Total net assets	1,388,615	1,952,512
<b>Total liabilities and net assets</b>	<b>\$ 2,126,524</b>	<b>\$ 3,073,371</b>

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

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statement of Activities  
Year Ended December 31, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue:</b>			
Grants and contracts:			
Legal Services Corporation	\$ -	\$ 1,167,743	\$ 1,167,743
Interest on Lawyer Account Fund of the State of New York	-	551,250	551,250
State of New York	-	2,368,552	2,368,552
Social Security Administration	-	458,276	458,276
U.S. Department of Justice	-	192,925	192,925
United Way	-	73,046	73,046
City of Buffalo	-	91,797	91,797
Other	-	246,460	246,460
Total grants and contracts	-	5,150,049	5,150,049
Contributions	21,878	6,000	27,878
Attorney Fees	11,390	-	11,390
Interest income	227	-	227
Other revenue	4,937	-	4,937
Total support and revenue	38,432	5,156,049	5,194,481
<b>Net assets released from restrictions:</b>			
Satisfaction of program restrictions	5,686,227	(5,686,227)	-
Total support, revenue and reclassifications	5,724,659	(530,178)	5,194,481
<b>Expenses and Losses:</b>			
Legal assistance	4,847,126	-	4,847,126
Management and general	911,252	-	911,252
Total expenses and losses	5,758,378	-	5,758,378
Change in net assets	(33,719)	(530,178)	(563,897)
<b>Net assets at beginning of year</b>	973,380	979,132	1,952,512
Transfer of net assets	8,252	(8,252)	-
<b>Net assets at end of year</b>	<b>\$ 947,913</b>	<b>\$ 440,702</b>	<b>\$ 1,388,615</b>

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

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statement of Activities  
Year Ended December 31, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue:</b>			
Grants and contracts:			
Legal Services Corporation	\$ -	\$ 1,232,779	\$ 1,232,779
Interest on Lawyer Account Fund of the State of New York	-	710,000	710,000
State of New York	-	2,988,106	2,988,106
Social Security Administration	-	543,415	543,415
U.S. Department of Education	-	106,804	106,804
U.S. Department of Justice	-	200,008	200,008
U.S. Department of Housing and Urban Development	-	47,867	47,867
United Way	-	74,742	74,742
City of Buffalo	-	81,006	81,006
Other	-	217,221	217,221
Total grants and contracts	-	6,201,948	6,201,948
Contributions	26,639	4,500	31,139
In-kind contributions	8,289	-	8,289
Interest income	1,218	-	1,218
Other revenue	8,634	-	8,634
Total support and revenue	44,780	6,206,448	6,251,228
<b>Net assets released from restrictions:</b>			
Satisfaction of program restrictions	6,279,295	(6,279,295)	-
Total support, revenue and reclassifications	6,324,075	(72,847)	6,251,228
<b>Expenses and Losses:</b>			
Legal assistance	5,262,356	-	5,262,356
Management and general	964,219	-	964,219
Total expenses and losses	6,226,575	-	6,226,575
Change in net assets	97,500	(72,847)	24,653
<b>Net assets at beginning of year</b>	612,974	1,314,885	1,927,859
Transfer of net assets	262,906	(262,906)	-
<b>Net assets at end of year</b>	<b>\$ 973,380</b>	<b>\$ 979,132</b>	<b>\$ 1,952,512</b>

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

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2017**

	<u>Legal Assistance Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages:			
Attorneys	\$ 1,739,707	\$ 168,674	\$ 1,908,381
Students	5,171	-	5,171
Paralegals	989,113	-	989,113
Staff	376,296	451,765	828,061
Health insurance	542,548	42,080	584,628
Pension	104,911	20,906	125,817
Payroll taxes	251,789	60,821	312,610
Total salaries and related expenses	<u>4,009,535</u>	<u>744,246</u>	<u>4,753,781</u>
Private attorney involvement	40,000	-	40,000
Payroll processing and pension fees	24,324	1,078	25,402
Professional fees	15,832	19,784	35,616
Contracted services and consultants	271,382	6,000	277,382
Travel	16,156	1,519	17,675
Conferences and training	6,920	4,205	11,125
Office rent	229,161	39,640	268,801
Utilities	7,646	70	7,716
Supplies	27,770	5,190	32,960
Postage	14,245	2,160	16,405
Printing	13,577	1,971	15,548
Maintenance and repairs	39,193	3,129	42,322
Equipment rental	2,094	304	2,398
Telephone	33,534	3,747	37,281
Westlaw expenses	11,303	1,698	13,001
Litigation costs	753	-	753
Library maintenance	21,487	20,884	42,371
Dues and subscriptions	7,210	10,712	17,922
Insurance	-	31,687	31,687
Miscellaneous	14,056	5,675	19,731
Equipment	130	350	480
Depreciation	40,818	7,203	48,021
<b>Total</b>	<b><u>\$ 4,847,126</u></b>	<b><u>\$ 911,252</u></b>	<b><u>\$ 5,758,378</u></b>

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



**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2016**

	<u>Legal Assistance Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages:			
Attorneys	\$ 1,690,026	\$ 238,870	\$ 1,928,896
Students	62,401	-	62,401
Paralegals	1,180,207	-	1,180,207
Staff	430,778	431,906	862,684
Health insurance	496,528	43,030	539,558
Pension	114,694	53,959	168,653
Payroll taxes	273,399	58,376	331,775
Total salaries and related expenses	<u>4,248,033</u>	<u>826,141</u>	<u>5,074,174</u>
Private attorney involvement	75,000	-	75,000
Payroll processing and pension fees	22,620	3,723	26,343
Professional fees	23,818	28,665	52,483
Contracted services and consultants	380,981	3,157	384,138
Travel	15,497	48	15,545
Conferences and training	37,826	7,571	45,397
Office rent	191,893	27,780	219,673
Utilities	3,883	38	3,921
Supplies	26,761	4,731	31,492
Postage	12,858	1,886	14,744
Printing	11,863	1,418	13,281
Maintenance and repairs	46,686	4,194	50,880
Equipment rental	4,775	597	5,372
Telephone	29,329	3,412	32,741
Westlaw expenses	17,268	2,580	19,848
Litigation costs	375	-	375
Library maintenance	36,342	24	36,366
Dues and subscriptions	12,065	9,735	21,800
Insurance	1,696	28,765	30,461
Miscellaneous	30,880	3,840	34,720
Equipment	824	429	1,253
Depreciation	31,083	5,485	36,568
<b>Total</b>	<b><u>\$ 5,262,356</u></b>	<b><u>\$ 964,219</u></b>	<b><u>\$ 6,226,575</u></b>

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

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Statements of Cash Flows  
Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (563,897)	\$ 24,653
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	48,021	36,568
Donated furniture and equipment	-	(8,289)
Uncollectible receivables written off	-	3,998
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	815,558	(858,483)
Prepaid expenses	(16,681)	(3,752)
Security deposit	-	(3,000)
Increase (decrease) in:		
Accounts payable	(139,700)	102,076
Accrued expenses	(67,415)	51,023
Employee payroll deductions	(76)	3,364
Refundable advances	(177,015)	495,235
Net cash used in operating activities	(101,205)	(156,607)
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(29,667)	(140,308)
Net cash used in investing activities	(29,667)	(140,308)
 Net decrease in cash	(130,872)	(296,915)
 <b>Cash at beginning of year</b>	741,862	1,038,777
 <b>Cash at end of year</b>	<b>\$ 610,990</b>	<b>\$ 741,862</b>

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

# NEIGHBORHOOD LEGAL SERVICES, INC.

## Notes to Financial Statements December 31, 2017 and 2016

### **Note 1 - Organization and Summary of Significant Accounting Policies**

**Organization** - Neighborhood Legal Services, Inc. (NLS) was organized in 1976 for the purpose of providing free legal assistance in non-criminal proceedings to persons financially unable to afford legal assistance in Erie County. NLS is funded in part and regulated by Legal Services Corporation (LSC), a nonprofit corporation organized by Congress to administer a nation-wide legal assistance program.

Effective January 1, 2004, LSC reconfigured its service areas, combining the geographic areas previously served by three entities into one service area. As a result, NLS entered into a Successor-in-interest agreement with Niagara County Legal Aid Society, Inc. (NCLAS) and Oak Orchard Legal Services, Inc. (OOLS) in conjunction with the merger of the three corporations.

**Basis of Accounting** - The financial statements of NLS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958-205-45. Under ASC Topic 958-205-45, NLS 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.

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

**Cash and Cash Equivalents** - For purposes of the Statements of Cash Flows, NLS considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment** - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives of the assets. Property and equipment acquired with LSC funds are considered to be owned by NLS. However, LSC retains a reversionary interest on these assets.

**Income Taxes** - NLS is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation". Therefore, no provision for income taxes is reflected in the financial statements.

**Uncertain Tax Positions** - Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Organization's Return of Organization Exempt from Income Tax Returns (Form 990) for tax years 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

# NEIGHBORHOOD LEGAL SERVICES, INC.

## Notes to Financial Statements December 31, 2017 and 2016

### **Note 1 - Organization and Summary of Significant Accounting Policies, Continued**

**Restricted and Unrestricted Revenue and Support** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. Certain grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditional promises to give.

**Functional Allocation of Expenses** - The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent Events** - The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 25, 2018 (the date the financial statements were available to be issued).

### **Note 2 - Property and Equipment**

Property and equipment at December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 1,283,736	\$ 1,257,295
Leasehold improvements	65,642	62,416
	<u>1,349,378</u>	<u>1,319,711</u>
Less: accumulated depreciation	<u>1,169,263</u>	<u>1,121,242</u>
<b>Total</b>	<b><u>\$ 180,115</u></b>	<b><u>\$ 198,469</u></b>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 3 - Receivables**

Receivables at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
State of New York	\$ 878,650	\$ 1,005,685
Interest on Lawyer Account Fund	183,750	710,000
City of Buffalo	24,473	40,256
Social Security Administration	69,084	167,454
U.S. Department of Justice	46,527	53,543
Genesee County Support Collection Unit	5,480	9,360
National Fuel Gas Distribution Co.	-	11,875
Legal Assistance of Western New York, Inc.	4,000	13,369
Mental Health Association of Niagara county, Inc.	-	5,000
Cornell University	7,506	11,444
Veterans Outreach Center	-	9,178
National Academy of Sciences	-	15,000
National Disability Rights Network	17,500	8,750
Research Foundation for Mental Hygiene	8,433	650
Other	3,016	2,413
	<u>3,016</u>	<u>2,413</u>
<b>Total</b>	<b><u>\$ 1,248,419</u></b>	<b><u>\$ 2,063,977</u></b>

**Note 4 - Refundable Advances**

Refundable advances at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
New York State Unified Court System	\$ 274,517	\$ 482,235
New York State Justice Center	14,625	-
Research Foundation for Mental Hygiene	9,974	13,000
National Fuel	4,186	4,895
Catholic Health Systems	19,813	-
Dynavox Mayer-Johnson	1,640	1,640
	<u>1,640</u>	<u>1,640</u>
<b>Total</b>	<b><u>\$ 324,755</u></b>	<b><u>\$ 501,770</u></b>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 5 - Grants and Contracts**

Grant and contract revenues for the years ended December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Legal Services Corporation:		
Basic field grant	\$ 1,167,291	\$ 1,219,410
Legal Assistance of Western New York, Inc.:		
Pro Bono Innovation Subgrant	-	9,821
WNY Consumer Portal Project Subgrant	452	3,548
	<u>1,167,743</u>	<u>1,232,779</u>
State of New York:		
Division of Criminal Justice:		
Domestic Violence Legal Services:		
LG17105500	14,080	-
LG15101290	-	32,622
LG16101836	32,585	13,138
Legal Services to Victims of Domestic Violence and Spousal Child Support		
LG16101864	56,554	18,446
LG17103700	18,437	-
Department of Health:		
Legal Advocacy Services:		
C30579	17,117	13,394
Cancer Legal Support Services:		
C029360	31,376	83,298
Navigator Grant:		
C028904	265,961	270,302
Community Health Advocates Program:		
C028088	16,865	70,028
C032978	52,861	-
Independent Consumer Advocacy Network:		
C029863	107,679	105,762
Unified Court System:		
Judiciary Civil Legal Services:		
C501004	-	1,960,247
C250530	1,134,044	-
Office of Child and Family Services:		
Commission for the Blind and Visually Handicapped	1,517	2,678

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 5 - Grants and Contracts, Continued**

	<b>2017</b>	<b>2016</b>
Office of Temporary and Disability Assistance:		
Disability Advocacy Program		
C021239	-	154,585
C0216GG	568,476	211,587
Department of Education:		
C011500	31,500	32,519
Justice Center:		
Assistive Technology TRAIID Program	19,500	19,500
	2,368,552	2,988,106
Interest on Lawyer Account Fund of the State of New York:		
C017016	551,250	-
C015016	-	532,500
C013015	-	177,500
	551,250	710,000
Social Security Administration:		
Work Incentives Project:		
WIP15050444-02-00	128,552	138,712
WIP15050444-01-00	14,774	146,294
WIP15050444-03-00	129,240	-
Benefit Offset National Demonstration Project		
SS00-10-60011	185,710	258,409
	458,276	543,415
U.S. Department of Education:		
RESNA Catalyst Project:		
H224B100001	-	106,804
U.S. Department of Justice:		
Legal Assistance for Victims Program:		
2015-WL-AX-0014	192,925	200,008
U.S. Department of Housing and Urban Development:		
Supportive Housing Program:		
NY0118L2C081405	-	47,867

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 5 - Grants and Contracts, Continued**

	<b>2017</b>	<b>2016</b>
City of Buffalo:		
Urban Renewal Agency:		
H0000449	58,505	10,539
H0000450	9,807	-
H0000349	-	50,938
H0000412	17,864	5,836
H0000507	5,621	-
H0000375	-	13,693
	91,797	81,006
United Way of Buffalo and Erie County, Inc:		
Domestic Violence Advocacy Program	58,000	58,000
United Way of Greater Niagara, Inc.	15,046	16,742
	73,046	74,742
Other:		
Veterans Outreach Center	68,021	51,249
National Disability Rights Network	35,000	8,750
National Fuel Gas Distribution Corporation	49,460	47,500
Mental Health Association of Niagara County, Inc.	20,000	20,000
Coordinated Refugee Legal Services Project	-	31,743
Cornell University PROMISE Grant	45,112	31,369
Genesee County Support Collection Unit	11,070	9,360
Catholic Health Systems Community Benefit Grant	5,187	-
National Academy of Sciences	-	15,000
Research Foundation for Mental Hygiene	12,610	2,250
	246,460	217,221
<b>Total</b>	<b>\$ 5,150,049</b>	<b>\$ 6,201,948</b>



# NEIGHBORHOOD LEGAL SERVICES, INC.

## Notes to Financial Statements December 31, 2017 and 2016

### **Note 6 - Retirement Plan**

NLS provides retirement benefits for employees through a tax deferred annuity plan and a defined contribution pension plan. The tax deferred annuity plan is available to all employees and is funded through a salary reduction of the participating employees. Participants are fully vested upon becoming members of this plan. The defined contribution pension plan is available to all employees who have completed one year of employment. NLS deposits to the plan, each pay period, an amount determined by a formula in the collective bargaining agreement. Participants in this plan are fully vested after completing three years of employment. Pension expense for the years ended December 31, 2017 and 2016 amounted to \$125,817 and \$168,653, respectively.

### **Note 7 - Line of Credit**

NLS has a line of credit agreement with a bank. The maximum borrowings available under the agreement is \$250,000, and bears interest at the bank's prime lending rate plus 1.5%. Borrowings are secured by substantially all of NLS's assets. At December 31, 2017 and 2016, there were no borrowings outstanding under the agreement.

### **Note 8 - Office Lease**

NLS has a lease agreement with MSBP 237 LLC for lease of space for its Buffalo office. This lease expires on March 31, 2024. The terms of the lease require monthly rental payments. NLS has a lease agreement with Anwal Properties for lease of space for its Niagara county office beginning February 1, 2013 and expiring August 31, 2026. NLS also entered into a lease agreement was with Robert and Marcia Noonan for lease of office space for the Oak Orchard offices for a term of ten years expiring August 31, 2026. Minimum future rental payments under the leases are summarized as follows:

2018	\$ 230,536
2019	235,339
2020	240,703
2021	245,460
2022	250,198
Thereafter	<u>439,945</u>
<b>Total</b>	<b><u>\$ 1,642,181</u></b>

NLS is also sub-leasing office space from the Chautauqua Region Law Center to conduct activities under the Navigator grant. Monthly rent is \$200.

## NEIGHBORHOOD LEGAL SERVICES, INC.

### Notes to Financial Statements December 31, 2017 and 2016

#### **Note 9 - Revolving Line of Credit**

NLS has a corporate credit card with a local bank with a credit limit of \$20,000. No interest is charged on the account. The balance outstanding as of December 31, 2017 and 2016 was \$337 and \$2,463, respectively.

#### **Note 10 - Collateral Agreement**

NLS has a Tri-Party Security and Collateral agreement with its primary bank to cover balances in the various accounts over the FDIC limit of \$250,000 as of December 31, 2017 and 2016.

#### **Note 11 - Private Attorney Involvement**

NLS has entered into a contract with the Erie County Bar Association Volunteer Lawyers Project, Inc. (VLP) to provide private attorney involvement as required by the LSC contract. VLP is a non-profit organization that recruits private attorneys to handle certain cases on a volunteer basis. Total amount paid to VLP for the years ended December 31, 2017 and 2016 was \$40,000 and \$75,000, respectively. The LSC contract requires 12.5% of the grant award to be expended for private attorney involvement.

#### **Note 12 - Reconciliation of LSC Property and Equipment**

The change in net assets for LSC property and equipment for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Net assets at beginning of year	\$ 8,640	\$ 13,736
Current year acquisitions	6,786	-
Depreciation expense	<u>(4,272)</u>	<u>(5,096)</u>
<b>Net assets at end of year</b>	<b><u>\$ 11,154</u></b>	<b><u>\$ 8,640</u></b>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 13 - Inkind Contributions**

The Organization receives a substantial amount of services donated by individuals interested in the Organization's programs. Because of the difficulty in assigning values for such services, these amounts are generally not reflected in the accompanying financial statements. However, when the value of donated services is ascertainable, the amounts thereof are reflected in the financial statements as revenue and expenses. No amounts have been recorded for donated services from individuals for the years ended December 31, 2017 and 2016, since the value is not readily determinable. The Organization received donated supplies and equipment with a fair market value of \$-0- and \$8,289 during the years ended December 31, 2017 and 2016, respectively.

**Note 14 - Excess LSC Fund Balance**

As noted in the schedule of prior year findings, NLS had an excess fund balance for the LSC grant for the year ended December 31, 2016. As required under the provisions of 45 CFR Part 1628 – *Recipient Fund Balances*, the Organization requested a waiver of this requirement. LSC granted a waiver of this requirement allowing the Organization to retain \$305,406 which represents 25% of its 2016 LSC support. Due to the unforeseen and extraordinary circumstances, LSC permitted NLS to retain an additional \$123,639 of the excess fund balance on the condition that the funds must be used to cover operating expenses and be disposed of prior to December 31, 2017. The final payment for the 2017 grant award was subsequently reduced by the remaining balance of \$54,259.

\* \* \* \* \*

## NEIGHBORHOOD LEGAL SERVICES, INC.

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

<u>Federal grantor/pass-through Grantor/program/title</u>	<u>Federal CFDA number</u>	<u>Pass- through grantor code</u>	<u>Federal Expenditures</u>
<u>Legal Services Corporation</u>			
Basic Field Grant	9.233047	-----	\$ 1,590,909
Passed through Legal Assistance of Western New York, Inc.:			
WNY Consumer Portal Project	9.233130	-----	452
Total Legal Services Corporation			<u>1,591,361</u>
<u>U.S. Social Security Administration</u>			
Work Incentives Project	96.008	-----	272,566
Passed through Abt Associates, Inc.:			
Benefit Offset National Demonstration Project	96.007	-----	122,532
Total U.S. Social Security Administration			<u>395,098</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the New York State Department of Health:			
Navigator Grant	93.778	-----	265,961
Passed through Community Service Society of New York:			
Community Health Advocates Program	93.519	-----	69,726
Passed through National Disability Rights Network:			
Protection and Advocacy for Assistive Technology	93.630	-----	31,925
Total U.S. Department of Health and Human Services			<u>367,612</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the City of Buffalo:			
Community Development Block Grant	14.218	-----	23,485
Emergency Shelter Grant	14.231	-----	68,312
Total U.S. Department of Housing and Urban Development			<u>91,797</u>

See accompanying notes to schedule of expenditures of federal awards.

## NEIGHBORHOOD LEGAL SERVICES, INC.

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

<u>Federal grantor/pass-through Grantor/program/title</u>	<u>Federal CFDA number</u>	<u>Pass- through grantor code</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Legal Assistance for Victims	16.524	-----	192,925
Total U.S. Department of Justice			<u>192,925</u>
<u>U.S. Department of Education</u>			
Passed through the Research Foundation for Mental Hygiene, Inc.:			
Promoting the Readiness of Minors in Supplemental Security Income	84.418	-----	45,112
Promoting the Readiness of Minors in Supplemental Security Income - New York State	84.418	-----	12,610
Passed through the New York State Justice Center			
Technology Related Assistance for Individuals with Disabilities	84.224	-----	9,957
Total U.S. Department of Education			<u>67,679</u>
<u>U.S. Department of Veterans Affairs</u>			
Supportive Services for Veteran Families	64.033	-----	68,021
Total U.S. Department of Justice			<u>68,021</u>
<b>Total expenditures of federal awards</b>			<b><u>\$ 2,774,493</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neighborhood Legal Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note B - Subrecipients**

Neighborhood Legal Services, Inc. provided federal awards to subrecipients as follows:

<u>Program Title/Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
LSC - Private Attorney Involvement Program		
Erie County Bar Association Volunteer Lawyers Project, Inc.	9.233047	\$ 40,000
U.S. Department of Justice - Legal Assistance to Victims		
Erie County Bar Association Volunteer Lawyers Project, Inc.	16.524	17,140
Child & Family Services	16.524	40,068
Suicide Prevention Crisis Services	16.524	5,528
		<u>62,736</u>
U.S. Social Security Administration		
-Work Incentives Project		
Starbridge Services	96.008	65,562
Southwestern Independent Living Center	96.008	17,660
WNY Independent Living Center	96.008	10,139
		<u>93,361</u>
-Benefit Offset National Demonstration Project		
Starbridge Services	96.007	43,327
Southwestern Independent Living Center	96.007	7,229
		<u>50,556</u>
		<u><b>\$ 246,653</b></u>

## NEIGHBORHOOD LEGAL SERVICES, INC.

Schedule of Activities By Grant  
Year Ended December 31, 2017

	Legal Services Corporation	LSC Consumer Portal Project Subgrant	IOLA	NYS Division of Criminal Justice Services
<b>Support and revenue:</b>				
Grants and contracts	\$ 1,167,291	\$ 452	\$ 551,250	\$ 46,665
Interest	227	-	-	-
Contributions	-	-	-	-
Other revenue	4,937	-	-	-
Total support and revenue	<u>1,172,455</u>	<u>452</u>	<u>551,250</u>	<u>46,665</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	594,875	405	76,711	35,243
Students	5,171	-	-	-
Paralegals	7,992	-	18,669	-
Staff	299,298	-	466,972	1,910
Health insurance	136,221	-	73,421	4,769
Pension	36,618	15	17,219	1,621
Payroll taxes	77,994	32	47,173	3,047
Payroll processing and pension fees	19,248	-	-	-
Professional fees	14,289	-	-	-
Private attorney involvement	40,000	-	-	-
Contracted services and consultants	22,325	-	4,000	-
Travel	1,876	-	-	-
Conferences and training	7,582	-	-	-
Office rent	152,036	-	18,877	75
Utilities	7,487	-	-	-
Supplies	14,539	-	-	-
Postage	10,103	-	-	-
Printing	11,268	-	-	-
Maintenance and repairs	24,120	-	-	-
Equipment rental	2,246	-	-	-
Telephone	21,750	-	-	-
Westlaw expenses	9,990	-	-	-
Litigation costs	753	-	-	-
Library maintenance	28,177	-	-	-
Dues and subscriptions	2,250	-	-	-
Insurance	16,113	-	2,116	-
Miscellaneous	19,322	-	-	-
Equipment	480	-	-	-
Depreciation	-	-	-	-
Total expense	<u>1,584,123</u>	<u>452</u>	<u>725,158</u>	<u>46,665</u>
Support and revenue over (under) expenses	(411,668)	-	(173,908)	-
Net assets at beginning of year	483,304	-	367,315	-
Net assets transfer	-	-	-	-
Acquisition of equipment	(6,786)	-	(20,025)	-
<b>Net assets at end of year</b>	<u>\$ 64,850</u>	<u>\$ -</u>	<u>\$ 173,382</u>	<u>\$ -</u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	<b>NYS Division of Criminal Justice Services Spousal Child Support</b>	<b>NYS Department of Health AIDS Services</b>	<b>NYS Department of Health Cancer Support Services</b>	<b>NYS Department of Health Navigator Grant</b>
<b>Support and revenue:</b>				
Grants and contracts	\$ 74,991	\$ 17,117	\$ 31,376	\$ 265,961
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	550	-
Total support and revenue	<u>74,991</u>	<u>17,117</u>	<u>31,926</u>	<u>265,961</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	57,663	6,125	31,376	14,749
Students	-	-	-	-
Paralegals	-	4,774	-	178,477
Staff	300	2,060	-	5,223
Health insurance	11,112	2,222	-	39,714
Pension	1,036	381	-	4,781
Payroll taxes	4,880	1,080	550	16,860
Payroll processing and pension fees	-	-	-	-
Professional fees	-	-	-	-
Private attorney involvement	-	-	-	-
Contracted services and consultants	-	-	-	-
Travel	-	-	-	3,513
Conferences and training	-	-	-	-
Office rent	-	475	-	2,400
Utilities	-	-	-	-
Supplies	-	-	-	-
Postage	-	-	-	-
Printing	-	-	-	-
Maintenance and repairs	-	-	-	-
Equipment rental	-	-	-	-
Telephone	-	-	-	-
Westlaw expenses	-	-	-	-
Litigation costs	-	-	-	-
Library maintenance	-	-	-	-
Dues and subscriptions	-	-	-	-
Insurance	-	-	-	-
Miscellaneous	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>74,991</u>	<u>17,117</u>	<u>31,926</u>	<u>265,717</u>
Support and revenue over (under) expenses	-	-	-	244
Net assets at beginning of year	-	-	-	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	(244)
<b>Net assets at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant**  
**Year Ended December 31, 2017**

	Community Health Advocates Program	Independent Consumer Advocacy Network	NYS Commission for the Blind and Visually Handicapped	NYS Unified Court System
<b>Support and revenue:</b>				
Grants and contracts	\$ 69,726	\$ 107,679	\$ 1,517	\$ 1,134,044
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total support and revenue	69,726	107,679	1,517	1,134,044
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	11,881	48,163	-	546,737
Students	-	-	-	-
Paralegals	34,879	29,358	1,054	251,354
Staff	4,819	1,631	-	-
Health insurance	8,322	14,823	140	135,584
Pension	1,791	4,749	63	22,742
Payroll taxes	4,393	6,549	88	66,946
Payroll processing and pension fees	-	-	6	4,890
Professional fees	-	-	-	2,686
Private attorney involvement	-	-	-	-
Contracted services and consultants	613	-	-	-
Travel	-	1,011	-	2,170
Conferences and training	341	-	-	2,552
Office rent	2,206	1,395	79	46,040
Utilities	-	-	-	65
Supplies	-	-	13	7,355
Postage	-	-	5	3,501
Printing	-	-	5	1,778
Maintenance and repairs	481	-	17	10,575
Equipment rental	-	-	1	-
Telephone	-	-	10	9,244
Westlaw expenses	-	-	3	1,898
Litigation costs	-	-	-	-
Library maintenance	-	-	16	7,688
Dues and subscriptions	-	-	-	843
Insurance	-	-	11	6,784
Miscellaneous	-	-	6	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	69,726	107,679	1,517	1,131,432
Support and revenue over (under) expenses	-	-	-	2,612
Net assets at beginning of year	-	-	1,152	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	(2,612)
Net assets at end of year	\$ -	\$ -	\$ 1,152	\$ -

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant**  
**Year Ended December 31, 2017**

	<b>NYS Disability Advocacy Project</b>	<b>NYS Education Department Contract Services</b>	<b>NYS Justice Center Assistive Technology</b>	<b>WNY Social Security Work Incentives Project</b>
<b>Support and revenue:</b>				
Grants and contracts	\$ 568,476	\$ 31,500	\$ 19,500	\$ 272,566
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	3,900	-	-	-
Total support and revenue	<u>572,376</u>	<u>31,500</u>	<u>19,500</u>	<u>272,566</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	232,354	-	1,270	29,582
Students	-	-	-	-
Paralegals	152,390	27,042	4,175	81,293
Staff	6,681	-	842	14,261
Health insurance	59,033	478	803	20,045
Pension	12,092	1,627	348	5,968
Payroll taxes	32,593	2,353	526	10,480
Payroll processing and pension fees	-	-	29	-
Professional fees	1,958	-	-	-
Private attorney involvement	-	-	-	-
Contracted services and consultants	25,654	-	-	94,764
Travel	4,201	-	788	2,626
Conferences and training	-	-	207	-
Office rent	23,009	-	414	7,458
Utilities	-	-	-	-
Supplies	3,249	-	91	4,527
Postage	1,362	-	36	378
Printing	146	-	50	-
Maintenance and repairs	3,542	-	111	26
Equipment rental	65	-	4	-
Telephone	3,091	-	65	-
Westlaw expenses	838	-	18	(188)
Litigation costs	-	-	-	-
Library maintenance	3,143	-	89	-
Dues and subscriptions	-	-	-	-
Insurance	3,075	-	63	1,346
Miscellaneous	-	-	28	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>568,476</u>	<u>31,500</u>	<u>9,957</u>	<u>272,566</u>
Support and revenue over (under) expenses	3,900	-	9,543	-
Net assets at beginning of year	(3,766)	-	11,139	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	-
<b>Net assets at end of year</b>	<u><b>\$ 134</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 20,682</b></u>	<u><b>\$ -</b></u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	Social Security Administration BOND Project	National Academy of Sciences	RESNA National Assistive Technology	Department of Justice Legal Assistance for Victims
<b>Support and revenue:</b>				
Grants and contracts	\$ 185,710	\$ -	\$ -	\$ 192,925
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total support and revenue	<u>185,710</u>	<u>-</u>	<u>-</u>	<u>192,925</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	7,898	-	-	73,465
Students	-	-	-	-
Paralegals	39,470	-	-	13,227
Staff	2,835	-	-	1,856
Health insurance	6,283	-	-	16,510
Pension	2,941	-	-	3,221
Payroll taxes	4,175	-	-	7,384
Payroll processing and pension fees	391	-	-	601
Professional fees	-	-	-	433
Private attorney involvement	-	-	-	-
Contracted services and consultants	50,556	-	-	63,322
Travel	-	-	-	-
Conferences and training	-	-	-	-
Office rent	3,620	-	-	6,499
Utilities	-	-	-	-
Supplies	686	-	-	1,141
Postage	300	-	-	453
Printing	342	-	-	-
Maintenance and repairs	870	-	-	1,621
Equipment rental	55	-	-	-
Telephone	556	-	-	1,144
Westlaw expenses	165	-	-	-
Litigation costs	-	-	-	-
Library maintenance	635	-	-	1,145
Dues and subscriptions	-	-	-	-
Insurance	575	-	-	903
Miscellaneous	179	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>122,532</u>	<u>-</u>	<u>-</u>	<u>192,925</u>
Support and revenue over (under) expenses	63,178	-	-	-
Net assets at beginning of year	36,352	4,252	4,000	-
Net assets transfer	-	(4,252)	(4,000)	-
Acquisition of equipment	-	-	-	-
<b>Net assets at end of year</b>	<u><b>\$ 99,530</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	<b>City of Buffalo Emergency Shelter Grant</b>	<b>City of Buffalo Community Development Block Grant</b>	<b>United Way of Buffalo and Erie County</b>	<b>United Way of Greater Niagara</b>
<b>Support and revenue:</b>				
Grants and contracts	\$ 68,312	\$ 23,485	\$ 58,000	\$ 15,046
Interest	-	-	-	-
Contributions	-	-	4,906	-
Other revenue	-	-	-	-
Total support and revenue	<u>68,312</u>	<u>23,485</u>	<u>62,906</u>	<u>15,046</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	45,345	15,021	-	10,414
Students	-	-	-	-
Paralegals	7,619	839	43,435	1,194
Staff	2,185	2,321	-	-
Health insurance	8,503	1,704	14,957	1,127
Pension	-	544	869	187
Payroll taxes	4,660	1,476	3,645	976
Payroll processing and pension fees	-	-	-	51
Professional fees	-	-	-	-
Private attorney involvement	-	-	-	-
Contracted services and consultants	-	-	-	-
Travel	-	-	-	-
Conferences and training	-	-	-	-
Office rent	-	782	-	565
Utilities	-	-	-	-
Supplies	-	170	-	33
Postage	-	-	-	-
Printing	-	-	-	-
Maintenance and repairs	-	217	-	12
Equipment rental	-	-	-	16
Telephone	-	130	-	123
Westlaw expenses	-	-	-	95
Litigation costs	-	-	-	-
Library maintenance	-	123	-	160
Dues and subscriptions	-	-	-	-
Insurance	-	158	-	93
Miscellaneous	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>68,312</u>	<u>23,485</u>	<u>62,906</u>	<u>15,046</u>
Support and revenue over (under) expenses	-	-	-	-
Net assets at beginning of year	-	-	-	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	-
<b>Net assets at end of year</b>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	<b>Veterans Outreach Center</b>	<b>NDRN Protection and Advocacy Services Assistive Technology</b>	<b>National Fuel Grant</b>	<b>Niagara County Mental Health Association</b>
<b>Support and revenue:</b>				
Grants and contracts	\$ 68,021	\$ 35,000	\$ 49,460	\$ 20,000
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total support and revenue	<u>68,021</u>	<u>35,000</u>	<u>49,460</u>	<u>20,000</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	22,791	20,450	4,821	1,810
Students	-	-	-	-
Paralegals	23,268	1,909	32,779	12,811
Staff	4,620	-	-	684
Health insurance	8,763	3,590	7,250	2,858
Pension	1,153	1,342	1,437	554
Payroll taxes	4,299	1,849	3,173	1,283
Payroll processing and pension fees	-	-	-	-
Professional fees	-	181	-	-
Private attorney involvement	-	-	-	-
Contracted services and consultants	-	-	-	-
Travel	627	-	-	-
Conferences and training	-	-	-	-
Office rent	599	1,247	-	-
Utilities	-	-	-	-
Supplies	609	208	-	-
Postage	-	87	-	-
Printing	-	104	-	-
Maintenance and repairs	-	287	-	-
Equipment rental	-	11	-	-
Telephone	567	166	-	-
Westlaw expenses	115	48	-	-
Litigation costs	-	-	-	-
Library maintenance	610	201	-	-
Dues and subscriptions	-	-	-	-
Insurance	-	170	-	-
Miscellaneous	-	75	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>68,021</u>	<u>31,925</u>	<u>49,460</u>	<u>20,000</u>
Support and revenue over (under) expenses	-	3,075	-	-
Net assets at beginning of year	-	2,700	-	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ -</u>	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ -</u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	<b>Cornell University PROMISE Grant</b>	<b>Research Foundation for Mental Hygiene</b>	<b>Catholic Health Systems</b>	<b>Genesee County SCU Funding</b>
<b>Support and revenue:</b>				
Grants and contracts	\$ 45,112	\$ 12,610	\$ 5,187	\$ 11,070
Interest	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total support and revenue	<u>45,112</u>	<u>12,610</u>	<u>5,187</u>	<u>11,070</u>
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	12,086	-	2,464	4,682
Students	-	-	-	-
Paralegals	9,127	11,018	960	-
Staff	6,899	-	-	2,664
Health insurance	4,320	70	448	1,558
Pension	1,519	600	155	244
Payroll taxes	2,323	922	284	617
Payroll processing and pension fees	141	-	17	28
Professional fees	-	-	59	-
Private attorney involvement	-	-	-	-
Contracted services and consultants	6,600	-	48	-
Travel	584	-	198	-
Conferences and training	-	-	-	-
Office rent	-	-	237	788
Utilities	-	-	-	164
Supplies	273	-	51	15
Postage	111	-	18	40
Printing	-	-	42	3
Maintenance and repairs	368	-	49	26
Equipment rental	-	-	-	-
Telephone	272	-	32	131
Westlaw expenses	-	-	9	10
Litigation costs	-	-	-	-
Library maintenance	280	-	71	33
Dues and subscriptions	-	-	-	-
Insurance	209	-	27	44
Miscellaneous	-	-	18	23
Equipment	-	-	-	-
Depreciation	-	-	-	-
Total expense	<u>45,112</u>	<u>12,610</u>	<u>5,187</u>	<u>11,070</u>
Support and revenue over (under) expenses	-	-	-	-
Net assets at beginning of year	-	-	-	-
Net assets transfer	-	-	-	-
Acquisition of equipment	-	-	-	-
<b>Net assets at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Activities By Grant  
Year Ended December 31, 2017**

	NYS Commission on Quality of Care Fees	General Funds	Other Activity	Total
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Support and revenue:</b>				
Grants and contracts	\$ -	\$ -	\$ -	\$ 5,150,049
Interest	-	-	-	227
Contributions	-	22,972	-	27,878
Other revenue	-	6,940	-	16,327
Total support and revenue	<hr/>	<hr/>	<hr/>	<hr/>
	-	29,912	-	5,194,481
<b>Expenses:</b>				
Salaries and wages:				
Attorneys	-	-	-	1,908,381
Students	-	-	-	5,171
Paralegals	-	-	-	989,113
Staff	-	-	-	828,061
Health insurance	-	-	-	584,628
Pension	-	-	-	125,817
Payroll taxes	-	-	-	312,610
Payroll processing and pension fees	-	-	-	25,402
Professional fees	-	16,010	-	35,616
Private attorney involvement	-	-	-	40,000
Contracted services and consultants	-	9,500	-	277,382
Travel	-	81	-	17,675
Conferences and training	-	443	-	11,125
Office rent	-	-	-	268,801
Utilities	-	-	-	7,716
Supplies	-	-	-	32,960
Postage	-	11	-	16,405
Printing	-	1,810	-	15,548
Maintenance and repairs	-	-	-	42,322
Equipment rental	-	-	-	2,398
Telephone	-	-	-	37,281
Westlaw expenses	-	-	-	13,001
Litigation costs	-	-	-	753
Library maintenance	-	-	-	42,371
Dues and subscriptions	-	14,829	-	17,922
Insurance	-	-	-	31,687
Miscellaneous	-	80	-	19,731
Equipment	-	-	-	480
Depreciation	-	-	48,021	48,021
Total expense	<hr/>	<hr/>	<hr/>	<hr/>
	-	42,764	48,021	5,758,378
Support and revenue over (under) expenses	-	(12,852)	(48,021)	(563,897)
Net assets at beginning of year	64,046	783,550	198,468	1,952,512
Net assets transfer	-	8,252	-	-
Acquisition of equipment	-	-	29,667	-
<b>Net assets at end of year</b>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 64,046	\$ 778,950	\$ 180,114	\$ 1,388,615

NEIGHBORHOOD LEGAL SERVICES, INC.

Schedule of Private Attorney Involvement Revenue and Expenses  
Year Ended December 31, 2017

**Revenue:**

Legal Services Corporation	<u>\$ 152,694</u>
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**Expenses:**

Salaries and wages:	
Attorneys	84,022
Paralegals	1,103
Support staff	20,642
Payroll taxes and fringe benefits	26,476
Contractual - Erie County Bar Association Volunteer Lawyers Project, Inc.	40,000
Payroll processing fees	774
Travel	167
Conference and training	384
Office rent	5,375
Utilities	15
Supplies	886
Postage	365
Printing	446
Maintenance and repairs	1,225
Telephone	715
Westlaw expense	217
Library maintenance	973
Insurance	725
Miscellaneous	331
	<u>184,841</u>

<b>Excess of expenses over revenue</b>	<b><u><u>\$ (32,147)</u></u></b>
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## NEIGHBORHOOD LEGAL SERVICES, INC.

**Schedule of Expenditures of Excess LSC Fund Balance  
Year Ended December 31, 2017**

	<u>LSC Grant</u>	<u>LSC Fund Balance Disposition</u>	<u>Total Legal Services Corporation</u>
<b>Expenses:</b>			
Salaries and wages:			
Attorneys	\$ 438,130	\$ 156,745	\$ 594,875
Students	5,171	-	5,171
Paralegals	7,992	-	7,992
Staff	267,810	31,488	299,298
Health insurance	119,538	16,683	136,221
Pension	30,767	5,851	36,618
Payroll taxes	62,994	15,000	77,994
Payroll processing and pension fees	16,745	2,503	19,248
Professional fees	4,858	9,431	14,289
Private attorney involvement	40,000	-	40,000
Contracted services and consultants	20,285	2,040	22,325
Travel	1,876	-	1,876
Conferences and training	7,582	-	7,582
Office rent	2,232	149,804	152,036
Utilities	7,487	-	7,487
Supplies	14,539	-	14,539
Postage	3,103	7,000	10,103
Printing	11,268	-	11,268
Maintenance and repairs	9,120	15,000	24,120
Equipment rental	2,246	-	2,246
Telephone	21,750	-	21,750
Westlaw expenses	9,990	-	9,990
Litigation costs	753	-	753
Library maintenance	18,177	10,000	28,177
Dues and subscriptions	2,250	-	2,250
Insurance	8,613	7,500	16,113
Miscellaneous	19,322	-	19,322
Equipment	480	-	480
Acquisition of equipment	6,786	-	6,786
<b>Total expenditures</b>	<b><u>\$ 1,161,864</u></b>	<b><u>\$ 429,045</u></b>	<b><u>\$ 1,590,909</u></b>

## NEIGHBORHOOD LEGAL SERVICES, INC.

**Schedule of Revenue and Expenditures Compared to Budget and Questioned Costs**  
**CDBG Grant CD-H0000412**  
**For the Grant Period October 1, 2016 to September 30, 2017**

	<u>Budget</u>		<u>Actual</u>		<u>Over/</u>	
	<u>10/1/16-</u>	<u>(10/1/16 -</u>	<u>(1/1/17 -</u>	<u>Total</u>	<u>(under)</u>	<u>Questioned</u>
	<u>9/30/17)</u>	<u>12/31/16)</u>	<u>9/30/17)</u>		<u>budget</u>	<u>costs</u>
<b>Revenue:</b>						
<b>CDBG grant</b>	<b>\$ 23,700</b>	<b>\$ 5,836</b>	<b>\$ 17,864</b>	<b>\$ 23,700</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses:</b>						
Personnel services:						
Attorney	15,601	4,017	11,584	15,601	-	-
Paralegal	678	20	658	678	-	-
Secretary	2,239	585	1,679	2,264	25	-
<b>Total personnel services</b>	<b>18,518</b>	<b>4,622</b>	<b>13,921</b>	<b>18,543</b>	<b>25</b>	<b>-</b>
Utility services:						
Telephone	121	45	76	121	-	-
Material and supplies:						
Office supplies	125	59	66	125	-	-
Purchase of services:						
Space rental	747	182	555	737	(10)	-
Insurance	160	-	158	158	(2)	-
Equipment maintenance	200	46	152	198	(2)	-
Library	100	9	90	99	(1)	-
<b>Total purchase of services</b>	<b>1,207</b>	<b>237</b>	<b>955</b>	<b>1,192</b>	<b>(15)</b>	<b>-</b>
Fringe benefits:						
Social security	1,428	354	1,065	1,419	(9)	-
Health insurance	1,648	330	1,318	1,648	-	-
Pension	595	189	406	595	-	-
Workers compensation	58	-	57	57	(1)	-
<b>Total fringe benefits</b>	<b>3,729</b>	<b>873</b>	<b>2,846</b>	<b>3,719</b>	<b>(10)</b>	<b>-</b>
<b>Total expenses</b>	<b>\$ 23,700</b>	<b>\$ 5,836</b>	<b>\$ 17,864</b>	<b>\$ 23,700</b>	<b>\$ -</b>	<b>\$ -</b>

## NEIGHBORHOOD LEGAL SERVICES, INC.

## Schedule of Revenue and Expenditures Compared to Budget and Questioned Costs

## CDBG Grant CD-H0000507

For the Grant Period October 1, 2017 to September 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Over/ (under) budget</u>	<u>Questioned Costs</u>
<b>Revenue:</b>				
<b>CDBG grant</b>	<b><u>\$ 23,700</u></b>	<b><u>\$ 5,621</u></b>	<b><u>\$ (18,079)</u></b>	<b><u>\$ -</u></b>
<b>Expenses:</b>				
Personnel services:				
Attorney	14,448	3,437	(11,011)	-
Paralegal	2,279	181	(2,098)	-
Secretary	1,099	642	(457)	-
Total personnel services	<u>17,826</u>	<u>4,260</u>	<u>(13,566)</u>	<u>-</u>
Utility services				
Telephone	126	53	(73)	-
Materials and supplies:				
Office supplies	125	105	(20)	-
Purchase of services:				
Space rental	500	227	(273)	-
Insurance	100	-	(100)	-
Equipment maintenance	100	65	(35)	-
Library	85	33	(52)	-
Total purchase of services	<u>785</u>	<u>325</u>	<u>(460)</u>	<u>-</u>
Fringe benefits:				
Health insurance	2,624	386	(2,238)	-
Pension	357	139	(218)	-
Payroll taxes	1,857	353	(1,504)	-
Total fringe benefits	<u>4,838</u>	<u>878</u>	<u>(3,960)</u>	<u>-</u>
<b>Total expenses</b>	<b><u>\$ 23,700</u></b>	<b><u>\$ 5,621</u></b>	<b><u>\$ (18,079)</u></b>	<b><u>\$ -</u></b>

**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**

**Independent Auditors Report**

The Board of Directors  
Neighborhood Legal Services, Inc.  
Buffalo, New York

We have audited in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Legal Services Corporation's *Audit Guide for Recipients and Auditors*, dated November 1996 and *Compliance Supplement for Audits of LSC Recipients*, dated April 2016, the financial statements of Neighborhood Legal Services, Inc. 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, and have issued our report thereon dated April 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neighborhood Legal Services, Inc.'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 Neighborhood Legal Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Legal Services, Inc.'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 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 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 Neighborhood Legal Services, Inc.'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 testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Amato, Fox & Company, P.C.*

April 25, 2018

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

### **Independent Auditor's Report**

The Board of Directors  
Neighborhood Legal Services, Inc.  
Buffalo, New York

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

We have audited Neighborhood Legal Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Legal Services Corporation's *Compliance Supplement for Audits of LSC Recipients*, dated April 2016 that could have a direct and material effect on each of Neighborhood Legal Services, Inc.'s major federal programs for the year ended December 31, 2017. Neighborhood Legal Services, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Neighborhood Legal Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards* (Uniform Guidance); and the Legal Services Corporation's *Audit Guide for Recipients and Auditors*, dated November 1996 and *Compliance Supplement for Audits of LSC Recipients*, dated April 2016. Those standards, the Uniform Guidance and the LSC Audit Guide 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 Neighborhood Legal Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Neighborhood Legal Services, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Neighborhood Legal Services, Inc. complied, in all material respects, with the 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, 2017.

### **Report on Internal Control Over Compliance**

Management of Neighborhood Legal Services, Inc. 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 Neighborhood Legal Services, Inc.'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 and the LSC Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Legal Services, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Legal Services, Inc.'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 and the LSC Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Amato, Fox & Company, P.C.*

April 25, 2018



## NEIGHBORHOOD LEGAL SERVICES, INC.

### Schedule of Prior Year Findings and Schedule of Findings and Questioned Costs Year Ended December 31, 2017

#### A. Status of Prior Year Findings

Legal Services Corporation (LSC)

2016-1 Recipient No. 233047 – CFDA No. 9.233047  
Grant period – Year ended December 31, 2016

**Condition and Criteria:** The LSC regulations permit recipients to retain from one fiscal year to the next LSC fund balances up to 10% of their LSC support. At December 31, 2016, LSC fund balances were in excess of this amount.

**Current status:** Neighborhood Legal Services, Inc requested a waiver of the fund balance requirement from LSC. LSC granted a partial waiver for the excess fund balance with the condition that NLS must use the excess fund balance retained to cover operating expenses and must be disposed of prior to December 31, 2017. The excess fund balance has been fully expended in the current year.

#### B. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Neighborhood Legal Services, Inc.
2. No significant deficiencies in internal controls over financial reporting were disclosed during the audit of the financial statements and reported in the 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*.
3. No instances of noncompliance material to the financial statements of Neighborhood Legal Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Neighborhood Legal Services, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.
7. Programs tested as major programs include:  
Legal Services Corporation – CFDA No. 09.233047
8. The threshold for distinguishing Type A and B programs were \$750,000.
9. Neighborhood Legal Services, Inc. qualifies as a low-risk auditee. As required by the Legal Services Corporation's *Compliance Supplement*, we considered the LSC grant to be a high-risk program.

**NEIGHBORHOOD LEGAL SERVICES, INC.**

**Schedule of Prior Year Findings and  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017**

**C. Findings - Financial Statements Audit**

None.

**D. Findings and Questioned Costs - Major Federal Award Programs Audit**

None.

\* \* \* \* \*