

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Financial Statements

March 31, 2017

(With Independent Auditors' Report Thereon)

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Volunteer Legal Services Project
of Monroe County, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Volunteer Legal Services Project of Monroe County, Inc. (the Project), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 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 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 Project'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 Project'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 Volunteer Legal Services Project of Monroe County, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Volunteer Legal Services Project of Monroe County, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2017, on our consideration of the Project'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 the Project's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 7, 2017

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.
Statement of Financial Position
March 31, 2017
with comparative totals for 2016

	<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:			
Cash and equivalents		\$ 245,611	291,395
Beneficial interest in assets held by Community Foundation - current reserve		32,653	30,680
Receivables - grants		190,710	133,869
Prepaid expenses		<u>4,385</u>	<u>4,189</u>
Total current assets		<u>473,359</u>	<u>460,133</u>
Certificates of deposit		205,159	204,357
Beneficial interest in assets held by Community Foundation		336,340	307,081
Equipment, at cost		34,657	37,656
Less accumulated depreciation		<u>(34,250)</u>	<u>(36,358)</u>
Net equipment		<u>407</u>	<u>1,298</u>
Total assets		<u>\$ 1,015,265</u>	<u>972,869</u>

(Continued)

See accompanying notes to financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.
Statement of Financial Position, Continued

<u>Liabilities and Net Assets</u>	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 135,709	101,303
Due to LAS	2,636	3,768
Due to LAWNY	2,636	3,768
Due to Campaign for Justice	<u>27,121</u>	<u>25,670</u>
Total current liabilities	<u>168,102</u>	<u>134,509</u>
Net assets:		
Unrestricted:		
General	675,348	684,946
Equipment	<u>407</u>	<u>1,298</u>
Total unrestricted	675,755	686,244
Temporarily restricted	160,218	140,926
Permanently restricted	<u>11,190</u>	<u>11,190</u>
Total net assets	<u>847,163</u>	<u>838,360</u>
Commitments (note 6)		
Total liabilities and net assets	<u>\$ 1,015,265</u>	<u>972,869</u>

See accompanying notes to financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.
Statement of Activities
Year ended March 31, 2017
with comparative totals for 2016

	Unrestricted										Temporarily restricted	Permanently restricted	Total	
	General	Equipment	City of Rochester	OCA Oversight	IOLA	Legal Services Corporation	Legal Services Corporation	NYS Department of Health	NYS Department of State	Total			2017	2016
Revenue:														
Donated services	\$ 1,312,226	-	-	-	-	-	-	-	-	1,312,226	-	-	1,312,226	1,054,277
Contributions	183,466	-	-	-	-	-	-	-	-	183,466	7,897	-	191,363	205,299
United Way	49,181	-	-	-	-	-	-	-	-	49,181	-	-	49,181	48,716
Grants	-	-	21,640	327,659	152,500	-	49,775	206,796	113,626	871,996	-	-	871,996	713,616
Legal Services Corporation	-	-	-	-	-	72,185	-	-	-	72,185	-	-	72,185	72,185
Fees	27,980	-	-	-	-	-	-	-	-	27,980	-	-	27,980	19,010
Investment income (loss), net of fees	1,590	-	-	-	-	-	-	-	-	1,590	19,863	-	21,453	(29,110)
Miscellaneous	17,780	-	-	-	-	-	-	-	-	17,780	-	-	17,780	30,992
Net assets released from restrictions	8,468	-	-	-	-	-	-	-	-	8,468	(8,468)	-	-	-
Total revenue	1,600,691	-	21,640	327,659	152,500	72,185	49,775	206,796	113,626	2,544,872	19,292	-	2,564,164	2,114,985
Expenses:														
Salaries	157,141	-	17,300	245,477	108,593	52,422	40,799	89,451	92,674	803,857	-	-	803,857	683,689
Payroll taxes	13,215	-	1,323	20,117	8,305	4,010	3,121	6,842	7,089	64,022	-	-	64,022	61,090
Employee benefits	18,128	-	2,483	34,858	14,268	7,523	5,855	11,780	12,235	107,130	-	-	107,130	82,346
Donated services	1,312,226	-	-	-	-	-	-	-	-	1,312,226	-	-	1,312,226	1,054,277
Client litigation expense fund	991	-	-	-	-	-	-	-	-	991	-	-	991	1,500
Contracted services	36,762	-	-	194	7,500	-	-	85,041	-	129,497	-	-	129,497	75,223
Insurance	3,851	-	-	2,411	1,367	120	-	1,090	-	8,839	-	-	8,839	8,715
Meetings, training and conferences	13,528	-	-	66	-	-	-	150	-	13,744	-	-	13,744	10,838
Membership dues	3,312	-	-	3,252	-	-	-	605	-	7,169	-	-	7,169	5,116
Office expenses	10,141	-	431	6,833	1,934	975	-	3,603	1,628	25,545	-	-	25,545	31,548
Occupancy	7,630	-	-	11,880	10,533	7,135	-	8,006	-	45,184	-	-	45,184	49,297
Professional fees	13,176	-	-	35	-	-	-	58	-	13,269	-	-	13,269	10,595
Travel	12,565	-	103	2,260	-	-	-	170	-	15,098	-	-	15,098	13,849
Depreciation	-	891	-	-	-	-	-	-	-	891	-	-	891	1,535
Miscellaneous	7,623	-	-	276	-	-	-	-	-	7,899	-	-	7,899	7,610
Total expenses	1,610,289	891	21,640	327,659	152,500	72,185	49,775	206,796	113,626	2,555,361	-	-	2,555,361	2,097,228
Increase (decrease) in net assets	(9,598)	(891)	-	-	-	-	-	-	-	(10,489)	19,292	-	8,803	17,757
Net assets at beginning of year	684,946	1,298	-	-	-	-	-	-	-	686,244	140,926	11,190	838,360	820,603
Net assets at end of year	\$ 675,348	407	-	-	-	-	-	-	-	675,755	160,218	11,190	847,163	838,360

See accompanying notes to financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.
Statement of Functional Expenses
Year ended March 31, 2017
with comparative totals for 2016

	Program	Management	Total	
	<u>services</u>	<u>and</u> <u>general</u>	<u>2017</u>	<u>2016</u>
Salaries	\$ 723,472	80,385	803,857	683,689
Payroll taxes	57,620	6,402	64,022	61,090
Employee benefits	96,417	10,713	107,130	82,346
Donated services	1,312,226	-	1,312,226	1,054,277
Client litigation expense fund	991	-	991	1,500
Contracted services	116,547	12,950	129,497	75,223
Insurance	7,955	884	8,839	8,715
Meetings, training and conferences	3,436	10,308	13,744	10,838
Membership dues	7,169	-	7,169	5,116
Office expenses	22,991	2,554	25,545	31,548
Occupancy	40,665	4,519	45,184	49,297
Professional fees	11,942	1,327	13,269	10,595
Travel	15,098	-	15,098	13,849
Depreciation	802	89	891	1,535
Miscellaneous	3,663	4,236	7,899	7,610
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 2,420,994</u>	<u>134,367</u>	<u>2,555,361</u>	<u>2,097,228</u>

See accompanying notes to financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.
Statement of Cash Flows
Year ended March 31, 2017
with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 8,803	17,757
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	891	1,535
Unrealized (appreciation) depreciation in fair value of investments	(21,401)	29,283
Changes in:		
Receivables	(56,841)	(47,827)
Prepaid expenses	(196)	3,633
Accounts payable and accrued expenses	34,406	21,192
Due to LAS	(1,132)	1,203
Due to LAWNY	(1,132)	1,203
Due to Campaign for Justice	<u>1,451</u>	<u>1,033</u>
Net cash provided by (used in) operating activities	<u>(35,151)</u>	<u>29,012</u>
Cash flows from investing activities:		
Increase in certificates of deposit	(802)	(885)
Change in beneficial interest in assets held by Community Foundation	<u>(9,831)</u>	<u>(8,155)</u>
Net cash used in investing activities	<u>(10,633)</u>	<u>(9,040)</u>
Net increase (decrease) in cash and equivalents	(45,784)	19,972
Cash and equivalents at beginning of year	<u>291,395</u>	<u>271,423</u>
Cash and equivalents at end of year	<u>\$ 245,611</u>	<u>291,395</u>
Supplemental schedules of cash flow information:		
Donated services revenue	<u>\$ 1,312,226</u>	<u>1,054,277</u>
Donated services expense	<u>\$ 1,312,226</u>	<u>1,054,277</u>
Disposal of fully depreciated equipment	<u>\$ 2,999</u>	<u>556</u>

See accompanying notes to financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements

March 31, 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Volunteer Legal Services Project of Monroe County, Inc. (the Project) was created in 1981 to increase participation by private attorneys in the delivery of civil legal services to the poor in Monroe County. A small staff administers a largely volunteer effort in which private attorneys represent low income clients.

The Project began as a project of the Monroe County Bar Association (Bar Association) and was incorporated in December 1982 as a not-for-profit corporation. It is governed by an independent Board of Directors composed of attorneys and non-attorneys. The Project receives funding from Legal Assistance of Western New York (LAWNY), Interest on Lawyer Account Fund (IOLA), the United Way of Greater Rochester, New York State (NYS), private foundations, law firms and individual attorneys in Monroe County.

(b) Basis of Accounting

The financial statements of the Project have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Project reports 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. Accordingly, net assets of the Project and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Project's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Project and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Project. Generally, the donors of these assets permit the Project to use all or part of the income earned on related investments for general or specific purposes. The Project received a permanently restricted contribution of \$11,190 in memory of Gary Amendola. No amounts were received in 2017 and 2016. The specific purpose of the endowment investment earnings is to hire law student interns to work at the Project.

(d) 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.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Equivalents

For purposes of the statement of cash flows, the Project considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Concentrations of Credit Risk

Financial instruments that potentially subject the Project to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts periodically exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(g) Endowment

The Project's endowment was established by donations made directly to the Project. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of explicit donor-imposed restrictions. See note 3 for endowment detail.

New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted on September 17, 2010 and removes the prohibition on appropriations below the historic dollar value of endowment funds absent explicit donor stipulations to the contrary.

In accordance with NYPMIFA, the Project considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the various funds.
2. The purposes of the donor-restricted endowment funds.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Project.
7. The investment policies of the Project.

(h) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Investments

Investments are stated at fair value. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation (depreciation) is included in investment income (loss) in the accompanying statement of activities.

(j) Capitalization and Depreciation

Equipment is recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable equipment, the appropriate equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the accompanying statement of activities.

(k) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the accompanying statement of financial position as deferred revenue.

(l) Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Project. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Project reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash for other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Project reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Donated Services

The Project values all donated legal services at estimated fair value. All donated legal services are related to the mission of the Project and considered program services in the accompanying statement of functional expenses. For the years ended March 31, 2017 and 2016, the estimated value of these services was as follows:

	<u>Hourly</u> <u>rate</u>	<u>Hours</u>		<u>Amount</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Attorney	\$ 200	6,203.44	4,809.57	\$ 1,240,688	961,914
Paralegal	\$ 100	540.70	681.83	54,070	68,183
Other	\$ 30	582.26	806.00	<u>17,468</u>	<u>24,180</u>
				<u>\$ 1,312,226</u>	<u>1,054,277</u>

(n) Expense Allocation

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

(o) Subsequent Events

The Project has evaluated subsequent events through the date of the report which is the date the accompanying financial statements were available to be issued.

(p) Income Taxes

The Project is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Project has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Project presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Project has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Project are subject to examination by taxing authorities.

(q) Reclassifications

Reclassifications have been made to certain 2016 balances in order to conform them to the 2017 presentation.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(2) Beneficial Interest in Assets Held by Community Foundation

Financial Instruments

Investments are held in the Rochester Area Community Foundation (the Foundation), a nonprofit organization that pools funds of organizations and invests in marketable securities. Each participating organization is allocated investment units based on the amounts invested. The market value of the investment units is based on the value of the individual securities held by each fund.

	<u>2017</u>	<u>2016</u>
Amounts are designated for the following purposes:		
Current reserve - Campaign for Justice -		
Sydney R. Rubin Memorial Fund	\$ 32,653	30,680
Beneficial Interest in Assets Held by		
Community Foundation:		
Hanna S. Cohn Fund for the Future	87,642	82,345
Gary Amendola Endowment	14,501	13,727
Michael S. Schnittman Endowment	19,271	15,354
Paul E. Richardson Endowment	17,341	10,010
Unrestricted	<u>197,585</u>	<u>185,645</u>
	<u>336,340</u>	<u>307,081</u>
Total assets	\$ <u>368,993</u>	<u>337,761</u>

Assets are reported at fair value based on quoted market prices. Realized and unrealized gains and losses on permanently restricted and unrestricted net assets, are reported as unrestricted, based upon the presence or absence of donor stipulation as to their use. Investment income (loss) for the years ended March 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 52	173
Unrealized appreciation (depreciation) in fair value of investments	<u>21,401</u>	<u>(29,283)</u>
Total investment income (loss)	\$ <u>21,453</u>	<u>(29,110)</u>

Management fees of approximately \$3,889 and \$3,806, respectively, have been netted against investment income for the years ended March 31, 2017 and 2016.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(2) Beneficial Interest in Assets Held by Community Foundation, Continued

Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Project has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Project uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other similar funds. Classification of these investments within the fair value hierarchy is based on the Project's ability to timely redeem its interest rather than on inputs used.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Project believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investment units in the Foundation held by the Project are classified as level 2 investments.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(3) Endowments

The Project's endowment as of March 31, 2017 and 2016, respectively, consists of funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Project has interpreted the applicable provisions of New York Not-for-Project Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

The balances of the endowments as of March 31 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2017	\$ <u>197,585</u>	<u>160,218</u>	<u>11,190</u>	<u>368,993</u>
2016	\$ <u>185,645</u>	<u>140,926</u>	<u>11,190</u>	<u>337,761</u>

Changes in endowment net assets for the years ended March 31, 2017 and 2016 and endowment net assets composition by type as of March 31, 2017 and 2016 are as follows:

	2017			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance as of March 31, 2016	\$ 185,645	140,926	11,190	337,761
Contributions	-	7,897	-	7,897
Net unrealized appreciation on investments	23,320	21,801	-	45,121
Professional fees	(1,951)	(1,938)	-	(3,889)
Withdrawals	(9,429)	-	-	(9,429)
Net assets released from restrictions	-	(8,468)	-	(8,468)
Balance as of March 31, 2017	\$ <u>197,585</u>	<u>160,218</u>	<u>11,190</u>	<u>368,993</u>
Board designated endowment funds	\$ 197,585	-	-	197,585
Donor restricted endowment funds	-	<u>160,218</u>	<u>11,190</u>	<u>171,408</u>
Total endowment funds	\$ <u>197,585</u>	<u>160,218</u>	<u>11,190</u>	<u>368,993</u>

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(3) Endowments, Continued

	2016			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Balance as of March 31, 2015	\$ 201,591	146,108	11,190	358,889
Contributions	297	7,250	-	7,547
Net unrealized depreciation				
on investments	(5,715)	(4,459)	-	(10,174)
Professional fees	(1,923)	(1,882)	-	(3,805)
Withdrawals	(8,605)	-	-	(8,605)
Net assets released from restrictions	-	(6,091)	-	(6,091)
Balance as of March 31, 2016	\$ <u>185,645</u>	<u>140,926</u>	<u>11,190</u>	<u>337,761</u>
Board designated endowment funds	\$ 185,645	-	-	185,645
Donor restricted endowment funds	-	<u>140,926</u>	<u>11,190</u>	<u>152,116</u>
Total endowment funds	\$ <u>185,645</u>	<u>140,926</u>	<u>11,190</u>	<u>337,761</u>

	2017	2016
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by New York State Not-for-Profit Corporation Law.	\$ <u>11,190</u>	<u>11,190</u>
Total endowment funds classified as permanently restricted net assets.	\$ <u>11,190</u>	<u>11,190</u>

The Foundation invests the funds transferred to it by the Project. Funds are invested as part of the Foundation's permanent endowment funds, subject to the same policies for investment, determination of current distribution amount, and allocation to cover the Foundation's administrative costs. Distributions shall be made in accordance with such procedures for the administration and operation of such funds of the Foundation as may be in effect from time to time.

(4) Related Parties

Related party transactions as of and for the years ended March 31, 2017 and 2016 were as follows:

- (a) The Project was affiliated with the Bar Association until December 31, 1982 when it became a separate corporation. The Executive Director and the President Elect of the Bar Association are ex-officio members of the Board of Directors of the Project. The Director of LAWNY, which provides funding for the Project, and the Director of the Legal Aid Society of Rochester (LAS), a Campaign for Justice fundraising collaborator, are also ex-officio members of the Board of Directors of the Project.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(4) Related Parties, Continued

- (b) The Project, LAWNY, and LAS have agreed to participate in a fundraising project referred to as the “Campaign for Justice.” During the years ended March 31, 2017 and 2016, phonathons were held, with the proceeds allocated among the organizations in accordance with the terms of the agreement. Amounts due to Campaign for Justice at March 31, 2017 and 2016 totaled \$27,121 and \$25,670, respectively.
- (c) The Project, LAWNY, and LAS received a gift of \$25,670 in the 1998 fiscal year, which is held as an investment by the Project. The gains or losses incurred by the investment are allocated equally to the related parties and the Project and the equal share of the net investment is shown as due to or from the related party. At March 31, 2017 and 2016, the Project was indebted to the related parties in the amount of \$5,272 and \$7,536, respectively.
- (d) The Legal Services Project funds include amounts received by the Project as a subrecipient of LAWNY, a Legal Services Corporation recipient, and are used to coordinate volunteer attorneys and provide legal representation to low-income people eligible to receive Legal Services Corporation funded services in Monroe County.
- (e) The Project entered into an agreement with the Bar Association, Empire Justice Center, Monroe County Legal Assistance Center, a division of LAWNY, LAS and the Foundation of Monroe County Bar. The intent of the agreement was to locate their offices at one location and to share facilities at that location for their common benefit. The agreement also states that the parties will begin a fundraising campaign, known as the Partnership for Equal Justice, to raise funds for their co-location.
- (f) During the years ended March 31, 2017 and 2016, the Project shared certain expenses with LAS. In 2017 and 2016, the Project paid \$15,000 to LAS for shared staffing expense.

(5) Retirement Plan

The Project has a tax deferred retirement plan for personnel who meet certain length of service requirements whereby the employee can make contributions up to \$18,000 or \$24,000 for participants age 50 or older. Employer contributions to the plan are determined annually by the Board of Directors. The Project’s contributions to the plan amounted to \$30,336 and \$19,781 for the years ended March 31, 2017 and 2016, respectively.

VOLUNTEER LEGAL SERVICES PROJECT
OF MONROE COUNTY, INC.

Notes to Financial Statements, Continued

(6) Commitments

The Project entered into a co-location lease agreement with the Bar Association, a related party, commencing in November 2005 for an initial term of 15 years expiring in October 2020. The agreement specifies minimum rental payments and contingent payments based on increase in real estate taxes and operating expenses. The Project also leases certain office equipment under the terms of operating leases expiring through January 2020. Total expense under these agreements for the years ended March 31, 2017 and 2016 amounted to \$37,466 and \$38,560, respectively.

Future minimum lease payment for the four years ending after March 31, 2017 are as follows:

2018	\$ 38,560
2019	37,277
2020	36,530
2021	<u>24,863</u>
	\$ <u>137,230</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Volunteer Legal Services Project
of Monroe County, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Volunteer Legal Services Project of Monroe County, Inc. (the Project), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 7, 2017