

**DOUGLAS COUNTY LEGAL AID SOCIETY, INCORPORATED**  
**FINANCIAL STATEMENTS**

*YEARS ENDED JUNE 30, 2010 AND 2009*

**SS** Summers, Spencer &  
**&C** Callison, CPAs, Chartered  

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**CERTIFIED PUBLIC ACCOUNTANTS**

*Douglas County Legal Aid Society, Incorporated*  
*Financial Statements*  
*Years Ended June 30, 2010 and 2009*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Douglas County Legal Aid Society, Incorporated

We have audited the accompanying statements of assets, liabilities and net assets of

### DOUGLAS COUNTY LEGAL AID SOCIETY, INCORPORATED

as of June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and functional expenses – modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Douglas County Legal Aid Society, Incorporated as of June 30, 2010 and 2009, and its revenues and expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

*Summers, Spencer & Callison, CPAs, Chartered*

Summers, Spencer & Callison, CPAs, Chartered

December 6, 2010

*Douglas County Legal Aid Society, Incorporated*

FINANCIAL STATEMENTS

**Douglas County Legal Aid Society, Incorporated**

*Statements of Assets, Liabilities and Net Assets*

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<i>Current assets</i>		
Cash, unrestricted	\$ 53,912	\$ 70,507
Restricted cash	7	7
<i>Total curent assets</i>	<u>53,919</u>	<u>70,514</u>
<i>Other assets</i>		
Property and equipment, net	<u>1,810</u>	<u>1,633</u>
<i>Total assets</i>	<u>\$ 55,729</u>	<u>\$ 72,147</u>
<b>Liabilities</b>		
<i>Current Liabilities</i>		
Payroll liabilities	\$ 1,392	\$ 1,330
Trust fund liability	<u>7</u>	<u>7</u>
<i>Total liabilities</i>	<u>1,399</u>	<u>1,337</u>
<b>Net assets</b>		
Unrestricted:		
Board designated	52,635	61,934
Undesignated	<u>1,695</u>	<u>8,876</u>
<i>Total net assets</i>	<u>54,330</u>	<u>70,810</u>
<b>Total liabilities and net assets</b>	<u>\$ 55,729</u>	<u>\$ 72,147</u>

**Douglas County Legal Aid Society, Incorporated**  
*Statements of Revenues, Expenses and Changes in Net Assets*  
 YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>Unrestricted</b>		
<b>Revenue, support and other income</b>		
City of Lawrence	\$ 52,600	\$ 40,000
Kansas Legal Services	33,281	49,318
Douglas County	30,000	30,414
United Way	9,748	11,475
Rice Foundation	4,000	5,000
Miscellaneous income	1,109	4,467
Interest	701	1,470
	<u>131,439</u>	<u>142,144</u>
<i>Total revenue, support and other income</i>		
<b>Expenses</b>		
Program services	119,863	126,133
Management and general	28,055	25,989
	<u>147,918</u>	<u>152,121</u>
<i>Total expenses</i>		
Change in net assets	<u>(16,480)</u>	<u>(9,977)</u>
Net assets, beginning of year	<u>70,810</u>	<u>80,787</u>
Net assets, end of year	<u>\$ 54,330</u>	<u>\$ 70,810</u>

## Douglas County Legal Aid Society, Incorporated

### Statements of Functional Expenses - Modified Cash Basis

YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Program services	Management and general	Total	Program services	Management and general	Total
Contract - staff						
Attorneys	\$ 73,299	\$ -	\$ 73,299	\$ 76,523	\$ -	\$ 76,523
Secretary	32,895	14,098	46,993	32,844	14,076	46,920
Payroll tax expense	4,896	650	5,546	5,188	668	5,856
Total contract - staff	<u>111,090</u>	<u>14,748</u>	<u>125,838</u>	<u>114,555</u>	<u>14,744</u>	<u>129,299</u>
Service order vouchers						
Advertising	-	49	49	-	1,029	1,029
Office supplies	476	53	529	813	90	903
Postage and fax	1,162	129	1,292	1,234	137	1,372
Telephone	3,782	420	4,203	2,738	304	3,043
Total service order vouchers	<u>5,420</u>	<u>651</u>	<u>6,072</u>	<u>4,785</u>	<u>1,560</u>	<u>6,346</u>
General expenses						
Continuing education	-	2,042	2,042	-	20	20
Depreciation	439	49	488	507	56	563
Dues and fees	-	1,196	1,196	-	765	765
Equipment maintenance	1,115	124	1,239	2,093	233	2,326
Insurance	-	1,832	1,832	-	1,685	1,685
Miscellaneous	1,328	1,067	2,395	2,593	312	2,905
Office supplies	157	104	261	344	229	573
Parking	-	1,185	1,185	-	1,320	1,320
Postage and delivery	5	1	6	34	4	38
Printing and reproduction	26	3	29	32	4	35
Professional fees	-	4,295	4,295	-	4,281	4,281
Publications	283	31	314	1,191	132	1,323
Registration	-	365	365	-	190	190
Staff functions	-	362	362	-	335	335
Travel and entertainment	-	-	-	-	119	119
Total general expenses	<u>3,353</u>	<u>12,656</u>	<u>16,009</u>	<u>6,793</u>	<u>9,684</u>	<u>16,477</u>
Total expenses	<u>\$119,863</u>	<u>\$ 28,055</u>	<u>\$147,918</u>	<u>\$126,133</u>	<u>\$ 25,989</u>	<u>\$152,121</u>

# **Douglas County Legal Aid Society, Incorporated**

## *Notes to Financial Statements*

YEARS ENDED JUNE 30, 2010 AND 2009

### **1. Summary of significant accounting policies**

#### *History and purpose of organization*

Douglas County Legal Aid Society, Incorporated (the "Organization") was organized in 1969 as a non-profit corporation. As indicated in its articles of incorporation, the Organization was formed "to provide legal aid gratuitously, if necessary, for all who are eligible, and who are unable to procure legal assistance elsewhere, to assist persons without means in the pursuit of civil remedies, (and) to advance the knowledge of law among the general public." Commencing in 1969, the Organization and the University of Kansas, School of Law have jointly provided free legal assistance to needy persons in Lawrence and Douglas County via the law school's Legal Aid Clinic. The Legal Aid Clinic is staffed by two supervising attorneys who are members of the law school faculty, two attorneys employed by the Organization and legal interns who are third year law students. The legal interns receive law school credits for their participation in the Legal Aid Clinic, and they are required to remain in the clinic for two consecutive semesters. The attorneys and student interns provide legal assistance in the following areas of practice: domestic relations (divorce, paternity, child support, child custody, protection from abuse); criminal defense of adults in the Municipal Court of the City of Lawrence; defense of juvenile offenders in the District Court of Douglas County, Kansas; landlord and tenant matters; public assistance; and consumer-related issues. The principal funding sources for the Organization are the University of Kansas, School of Law, the City of Lawrence, Douglas County, and Douglas County United Way. The Organization receives revenue from Kansas Legal Services.

#### *Method of accounting*

The Organization uses the modified cash basis of accounting instead of the accrual method as required by generally accepted accounting principles. Therefore, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. The cash basis is modified to include capitalization of property and equipment with a provision for depreciation. The funds designated for the Organization that are held by the KU Endowment Association are not recorded on the Organization's financial statements.

#### *Donated services and facilities*

Law students in their third year of studies at the University of Kansas work on municipal, juvenile, and domestic cases under the supervision of the Organization's attorneys. The law students are not paid for their services. The University of Kansas provides the Organization with office space and equipment to utilize for its operations. In accordance with the cash basis of accounting, the value of these services and facilities has not been recorded in the financial statements.

#### *Income taxes*

The Organization is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization adopted the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the Organization's financial statements.

# Douglas County Legal Aid Society, Incorporated

## Notes to Financial Statements

YEARS ENDED JUNE 30, 2010 AND 2009

### 1. Summary of significant accounting policies (continued)

#### *Income taxes (continued)*

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

#### *Cash and cash equivalents*

The Organization defines demand deposits at banks and certificates of deposit as cash and cash equivalents.

#### *Restricted cash*

Restricted cash consists of funds held in a separate trust account on behalf of clients.

#### *Property and equipment*

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred, with significant acquisitions (in excess of \$500) being capitalized. The range of estimated useful lives used in computing depreciation for financial statement purposes is three to ten years.

#### *Estimates*

Management uses estimates and assumptions in preparing the financial statements on the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could vary by a material amount from the estimates that were used.

### 2. Property and equipment

The Organization's fixed assets consist of:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 5,709	\$ 5,044
Less: Accumulated depreciation	<u>(3,899)</u>	<u>(3,411)</u>
Property and equipment, net	<u>\$ 1,810</u>	<u>\$ 1,633</u>

Depreciation expense recorded for the years ended June 30, 2010 and 2009 was \$488 and \$563, respectively.

### 3. Related party transactions

The University of Kansas pays expenses on behalf of the Organization and the Organization reimburses the University for those expenses. During the years ended June 30, 2010 and 2009, the Organization reimbursed the University of Kansas \$53,211 and \$53,265, respectively.

### 4. Board designation of unrestricted net assets

The board designated \$52,635 and \$61,934 of the Organization's unrestricted net assets for future expenses for the years ended June 30, 2010 and 2009, respectively.

***Douglas County Legal Aid Society, Incorporated***

*Notes to Financial Statements*

*YEARS ENDED JUNE 30, 2010 AND 2009*

**5. Subsequent events**

Management has evaluated subsequent events through December 6, 2010 the date which the financial statements were available to be issued.