

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

Recipient No. 618036

**Independent Auditor's Reports and Financial Statements
December 31, 2020 and 2019**



Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
December 31, 2020 and 2019

Contents

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities.....	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedule of Revenues, Support and Allocated Expenses for Satisfaction of Program Restrictions for Legal Services Corporation and Other Grants	17
Schedule of Revenues, Support and Allocated Expenses for Satisfaction of Program Restrictions for Other Grants	18
Schedule of Expenses for Private Attorney Involvement.....	19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report	22
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report	24
Schedule of Findings and Questioned Costs	27
Schedule of Prior Audit Findings	29

Independent Auditor's Report

Board of Directors
Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Bowling Green, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Cumberland Trace Legal Services, Inc. d/b/a Kentucky Legal Aid (Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2020, the Organization updated its accounting policies related to revenue recognition for Legal Services Corporation grants. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the schedule of revenues, support and allocated expenses for satisfaction of program restrictions for Legal Services Corporation and other grants; schedule of revenues, support and allocated expenses for satisfaction of program restrictions for other grants; schedule of expenses for private attorney involvement; and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is 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 13, 2021, on our consideration of the Organization'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 solely to describe the scope of our testing of internal

Board of Directors
Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Page 3

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

BKD, LLP

Louisville, Kentucky
April 13, 2021

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Statements of Financial Position
December 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 323,869	\$ 267,891
Client escrow funds	6,424	560
Investments – certificates of deposit	980,845	597,194
Grants receivable	403,949	260,270
Prepaid expenses and other	48,077	49,895
Total current assets	1,763,164	1,175,810
Property and Equipment		
Buildings and improvements	1,973,098	1,742,482
Furniture and equipment	169,912	139,256
Construction in process	-	102,035
	2,143,010	1,983,773
Less accumulated depreciation	621,464	573,508
	1,521,546	1,410,265
Long-term investments	592,160	1,108,199
Total assets	\$ 3,876,870	\$ 3,694,274

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 134,207	\$ 134,011
Accrued expenses	170,675	196,026
Client escrow funds	6,424	560
Deferred revenue	<u>396,726</u>	<u>337,096</u>
Total current liabilities	708,032	667,693
Deferred Revenue	<u>474,525</u>	<u>171,691</u>
Total liabilities	<u>1,182,557</u>	<u>839,384</u>
Net Assets		
Without donor restrictions – undesignated	1,133,606	1,122,447
Without donor restrictions – other program’s property	<u>1,062,335</u>	<u>1,053,721</u>
Total net assets without donor restrictions	<u>2,195,941</u>	<u>2,176,168</u>
With donor restrictions		
Legal Services Corporation	-	255,712
Legal Services Corporation property	459,211	356,544
Interest on Lawyer Trust Account	<u>39,161</u>	<u>66,466</u>
Total net assets with donor restrictions	<u>498,372</u>	<u>678,722</u>
Total net assets	<u>2,694,313</u>	<u>2,854,890</u>
Total liabilities and net assets	<u>\$ 3,876,870</u>	<u>\$ 3,694,274</u>

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Grants and contracts	\$ -	\$ 4,034,818	\$ 4,034,818	\$ -	\$ 3,933,512	\$ 3,933,512
Rental income	5,400	-	5,400	5,400	-	5,400
Court appointed attorney fees	5,250	-	5,250	5,995	-	5,995
Interest income	30,114	-	30,114	59,450	-	59,450
Other	91,941	-	91,941	86,555	-	86,555
Gain on disposition of property	-	-	-	64,036	-	64,036
Satisfaction of program restrictions	4,215,168	(4,215,168)	-	3,707,279	(3,707,279)	-
	<u>4,347,873</u>	<u>(180,350)</u>	<u>4,167,523</u>	<u>3,928,715</u>	<u>226,233</u>	<u>4,154,948</u>
Expenses						
Program services	3,584,959	-	3,584,959	3,427,110	-	3,427,110
Management and general	487,429	-	487,429	482,140	-	482,140
	<u>4,072,388</u>	<u>-</u>	<u>4,072,388</u>	<u>3,909,250</u>	<u>-</u>	<u>3,909,250</u>
Change in LSC guidance	<u>(255,712)</u>	<u>-</u>	<u>(255,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	19,773	(180,350)	(160,577)	19,465	226,233	245,698
Net Assets, Beginning of Year	<u>2,176,168</u>	<u>678,722</u>	<u>2,854,890</u>	<u>2,156,703</u>	<u>452,489</u>	<u>2,609,192</u>
Net Assets, End of Year	<u>\$ 2,195,941</u>	<u>\$ 498,372</u>	<u>\$ 2,694,313</u>	<u>\$ 2,176,168</u>	<u>\$ 678,722</u>	<u>\$ 2,854,890</u>

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Personnel Expenses						
Attorneys	\$ 1,450,916	\$ 131,860	\$ 1,582,776	\$ 1,320,181	\$ 129,615	\$ 1,449,796
Paralegals	296,504	-	296,504	296,592	-	296,592
Other	269,944	161,648	431,592	326,185	154,215	480,400
Employee benefits	823,576	155,540	979,116	735,058	145,065	880,123
Total personnel expenses	<u>2,840,940</u>	<u>449,048</u>	<u>3,289,988</u>	<u>2,678,016</u>	<u>428,895</u>	<u>3,106,911</u>
Other Expenses						
Occupancy	85,735	1,280	87,015	106,951	2,019	108,970
Equipment rental	33,159	110	33,269	44,162	129	44,291
Office supplies and expenses	72,323	1,529	73,852	57,012	9,520	66,532
Telephone	12,781	1,017	13,798	12,760	1,016	13,776
Travel	13,366	190	13,556	44,013	2,277	46,290
Training	12,783	-	12,783	43,052	904	43,956
Library	66,553	750	67,303	32,704	750	33,454
Insurance	17,998	1,400	19,398	18,318	917	19,235
Dues and fees	15,078	1,088	16,166	13,715	1,986	15,701
Audit	-	22,350	22,350	-	21,805	21,805
Litigation	4,188	-	4,188	3,153	-	3,153
Contract services to program	332,042	8,397	340,439	304,562	10,180	314,742
Depreciation and amortization	68,950	-	68,950	48,765	-	48,765
Other	9,063	270	9,333	19,927	1,742	21,669
Total other expenses	<u>744,019</u>	<u>38,381</u>	<u>782,400</u>	<u>749,094</u>	<u>53,245</u>	<u>802,339</u>
Total expenses	<u>\$ 3,584,959</u>	<u>\$ 487,429</u>	<u>\$ 4,072,388</u>	<u>\$ 3,427,110</u>	<u>\$ 482,140</u>	<u>\$ 3,909,250</u>

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (160,577)	\$ 245,698
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	68,950	48,765
Gain on sale of property and equipment	-	(64,036)
Changes in		
Grants receivable	(143,679)	(43,851)
Prepaid expenses	1,818	17,012
Accounts payable and accrued expenses	(25,155)	78,394
Deferred revenue and client escrow funds	368,328	(128,987)
	<u>109,685</u>	<u>152,995</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(180,231)	(291,106)
Proceeds from disposition of property and equipment	-	98,900
Net change in investments	132,388	105,157
	<u>(47,843)</u>	<u>(87,049)</u>
Net cash used in investing activities		
Increase in Cash and Cash Equivalents and Restricted Cash	61,842	65,946
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>268,451</u>	<u>202,505</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 330,293</u>	<u>\$ 268,451</u>
Cash and cash equivalents	\$ 323,869	\$ 267,891
Client escrow funds	6,424	560
	<u>\$ 330,293</u>	<u>\$ 268,451</u>
Cash and cash equivalents and restricted cash		

Cumberland Trace Legal Services, Inc. d/b/a Kentucky Legal Aid

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cumberland Trace Legal Services, Inc. d/b/a Kentucky Legal Aid (Organization) is a nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or other matters to persons financially unable to afford legal assistance in western and south central Kentucky. The Organization is primarily funded through a grant from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a national legal assistance program.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted of money market accounts and certificates of deposit.

At December 31, 2020, the Organization's cash accounts did not exceed federally insured limits.

Client Escrow Funds

The Organization receives funds from various clients to be held in trust for fees to be paid on behalf of clients. Accordingly, at December 31, 2020 and 2019, the Organization recorded a corresponding liability in the amount of the client escrow fund assets.

Investments

Investments consist of certificates of deposit (CDs), which are stated at cost, plus accrued interest, which approximate market value. These CDs have interest rates ranging from 0.05% to 3.40% and maturity dates of 2021 to 2023.

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

**Notes to Financial Statements
December 31, 2020 and 2019**

Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2020 and 2019, have been recorded as grants receivable.

Property and Equipment

Property and equipment are stated at cost if purchased, and at fair market value if donated, and are depreciated on the straight-line method over the estimated useful life of each asset. Property and equipment acquired with LSC funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, LSC retains a reversionary interest in these assets, as well as the right to determine the use of any proceeds from the sales of these assets.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Building improvements	40 years
Furniture and equipment	5–10 years
Vehicles	5–10 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Deferred Revenue

Revenue from the Bank of America settlement and carryover from LSC funds awarded are deferred and recognized over the periods the Organization’s staff perform legal services related to mortgage default foreclosure processes or other housing-related issues and other legal services.

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Notes to Financial Statements
December 31, 2020 and 2019

At December 31, 2020 and 2019, deferred revenue consisted of the following:

	<u>2020</u>	<u>2019</u>
LSC COVID-19 Response	\$ 56,726	\$ -
LSC Field Grant	510,934	-
American Bankruptcy College	-	10,000
January rent	-	450
Kentucky Bar Association	9,000	9,000
Bank of America Settlement II	294,591	489,337
	<u>\$ 871,251</u>	<u>\$ 508,787</u>

Net Assets

Net assets with donor restrictions are those which use by the Organization has been limited by grantors or donors to a specific time period or purpose.

Prior to April 30, 2020, the Organization recognized grant funds from LSC as support with donor restrictions until expended on LSC-eligible activities. Funds remaining unexpended at the end of an accounting period were recorded as net assets with donor restrictions. Effective April 30, 2020, LSC updated its accounting guidelines which require the Organization to recognize LSC grant funds as the Organization expends the funds on LSC-eligible activities, and any unexpended funds remaining to carryover are recognized as deferred revenue. In accordance with general LSC policy, the Organization may use unexpended funds in future periods for expenses in compliance with specific terms of the LSC grant. The adoption of this guidance during the year resulted in a reduction of net assets with donor restrictions and an increase in deferred revenues of \$255,712.

Property and equipment purchased with LSC funding are classified as net assets with donor restrictions, which are released from restriction as the related depreciation on such property and equipment is recognized.

At its discretion, LSC may request reimbursement of expenses or the return of unexpended funds as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

The Organization recognizes interest on lawyer trust account (IOLTA) grant funds in the period received. Funds remaining unexpended at the end of an accounting period are recorded as net assets with donor restrictions until funds are expended in accordance with specific terms of the grant.

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid

Notes to Financial Statements

December 31, 2020 and 2019

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. However, pro bono activities were considered by management to be immaterial in the current and prior year.

Other Grant Support

The Organization recognizes grant funds as support on a straight-line basis over the grant period. Funds remaining unexpended at the end of an accounting period are recorded as net assets with or without donor restrictions.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the IRS to not be a private foundation within the meaning of Section 509(a) of the IRC.

The Organization files tax returns in the United States federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and management and general categories based on grant agreements or on the basis appearing most reasonable to the Organization.

Subsequent Events

Subsequent events have been evaluated through April 13, 2021, which is the date the financial statements were available to be issued.

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

**Notes to Financial Statements
December 31, 2020 and 2019**

Note 2: Grants and Contracts

The Organization's operations are funded by local county government filing fee allocations and various grants. Total revenues from these entities recognized for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
LSC	\$ 1,377,646	\$ 1,316,205
United Way	214,074	252,917
Access to Justice Foundation	85,045	140,666
Kentucky filing fees	479,866	614,972
U.S. Department of Health and Human Services – Title III	167,837	155,453
IOLTA	92,626	45,643
Kentucky Justice and Public Safety Cabinet	1,036,895	714,322
Office on Violence Against Women	136,218	247,985
Other	444,611	445,349
	<u>\$ 4,034,818</u>	<u>\$ 3,933,512</u>

Note 3: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2020, have been recorded as grants receivable. Following are the grant commitments that extend beyond December 31, 2020:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of December 31, 2020</u>	<u>Funding Available</u>
<i>Victims of Crime Act</i> Grant (VOCA)	10/1/2020–9/30/2021	\$ 900,000	\$ 249,754	\$ 650,246
Office on Violence Against Women	10/1/2016–9/30/2022	\$ 1,199,950	\$ 782,974	\$ 416,976
United Way	7/1/2020–6/30/2021	\$ 161,648	\$ 107,861	\$ 53,787

The Organization also receives funding under grants from the Administration on Aging Special Programs for the Aging. These grants extend through June 30, 2020, and the grants are awarded based on the quantity of hourly services provided to clients.

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

**Notes to Financial Statements
December 31, 2020 and 2019**

Note 4: Legal Services Corporation Expenditures

For purposes of providing legal services to low income individuals, LSC provides limited advances of the minimum amounts necessary for immediate disbursement needs. Any carryover funds in excess of 10% of LSC support require approval from LSC. Support includes the annual LSC grant award and reimbursements from other sources.

	2020	2019
LSC grant awarded	\$ 1,377,646	\$ 1,316,205
Interest income and other reimbursements	35,723	64,850
Total LSC support	<u>\$ 1,413,369</u>	<u>\$ 1,381,055</u>
10% of total LSC support	<u>\$ 141,337</u>	<u>\$ 138,106</u>
Carryover funds (cumulative net assets utilized)	<u>\$ 510,934</u>	<u>\$ 255,712</u>

Note 5: Property and Equipment

Property and equipment at December 31, 2020 and 2019, consists of:

	LSC	Non-LSC	2020
Buildings and improvements	\$ 538,439	\$ 1,434,659	\$ 1,973,098
Furniture and equipment	57,032	112,880	169,912
	<u>595,471</u>	<u>1,547,539</u>	<u>2,143,010</u>
Less accumulated depreciation	<u>136,260</u>	<u>485,204</u>	<u>621,464</u>
	<u>\$ 459,211</u>	<u>\$ 1,062,335</u>	<u>\$ 1,521,546</u>
	LSC	Non-LSC	2019
Buildings and improvements	\$ 342,058	\$ 1,400,424	\$ 1,742,482
Furniture and equipment	26,050	113,206	139,256
Construction in progress	102,035	-	102,035
	<u>470,143</u>	<u>1,513,630</u>	<u>1,983,773</u>
Less accumulated depreciation	<u>113,599</u>	<u>459,909</u>	<u>573,508</u>
	<u>\$ 356,544</u>	<u>\$ 1,053,721</u>	<u>\$ 1,410,265</u>

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

Notes to Financial Statements

December 31, 2020 and 2019

Note 6: Pension Plan

Plan Description

The Organization contributes to the Kentucky Retirement Systems Employee Pension Plan (Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Kentucky. Pension expense is recorded for the amount the Organization is contractually required to contribute for the year. The Plan provides retirement and disability benefits, including annual cost of living adjustments and death benefits to Plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the Plan's board of trustees, which is appointed by the governor with the approval of the state legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing to the Plan at 1260 Louisville Road, Frankfort, KY 40601, or by calling 800.928.4646.

Funding Policy

The authority to establish and amend requirements of Plan members and the Organization is set forth in state law and is vested in the Plan's board of trustees. The Organization is required to contribute at an actuarially determined rate. For 2020, the Organization contributed 24.06% of each participant's salary. For 2019, the Organization contributed 21.48% of each participant's salary from January through June and contributed 24.06% of each participant's salary from July through December. Contributions to the Plan for 2020 and 2019, were \$521,748 and \$452,696, respectively, which equaled the required contributions for each year.

Note 7: Operating Leases

Noncancellable operating leases for office space expire in 2021.

Future minimum lease payments at December 31, 2020, were \$19,000.

The Organization incurred certain short-term leasing arrangements for office space and small equipment. Total rent expense incurred for 2020 and 2019, was \$66,319 and \$78,781, respectively.

Note 8: Private Attorney Involvement

LSC provides funding of private attorney involvement based upon a minimum of 12.50% of the total LSC grant. Total funding utilized for private attorney involvement totaled \$189,847 and \$163,966 for 2020 and 2019, respectively.

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Notes to Financial Statements
December 31, 2020 and 2019

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 323,869	\$ 267,891
Investments – certificates of deposit	980,845	597,194
	\$ 1,304,714	\$ 865,085

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 10: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenue

Approximately 34% and 33% of the Organization’s grant revenues for the years 2020 and 2019, respectively, were funded through grants from LSC.

Note 11: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Notes to Financial Statements
December 31, 2020 and 2019

under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to not have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

**Schedule of Revenues, Support and Allocated Expenses for Satisfaction of
Program Restrictions for Legal Services Corporation and Other Grants
(with Comparative Information for Prior Year)
Years Ended December 31, 2020 and 2019**

	2020									2019		
	Non-LSC Grants	Basic Field Grants	LSC COVID-19 Response Grant	LSC Telework Capacity Building Grant	LSC TIG Grant	LSC Carryover Waiver	LSC Rural Summer Legal Corps Fellowship	Subtotal	LSC Property	Other Property	Total	Total
Revenues, Gains and Other Support												
Grants and contracts	\$ 2,657,172	\$ 1,014,877	\$ 203,704	\$ 9,958	\$ 26,500	\$ 117,607	\$ 5,000	\$ 4,034,818	\$ -	\$ -	\$ 4,034,818	\$ 3,933,512
Rental income	-	5,400	-	-	-	-	-	5,400	-	-	5,400	5,400
Court appointed attorney fees	5,250	-	-	-	-	-	-	5,250	-	-	5,250	5,995
Interest income	-	30,114	-	-	-	-	-	30,114	-	-	30,114	59,450
Gain on property	-	-	-	-	-	-	-	-	-	-	-	64,036
Other income	91,732	209	-	-	-	-	-	91,941	-	-	91,941	86,555
Total revenues, gains and other support	2,754,154	1,050,600	203,704	9,958	26,500	117,607	5,000	4,167,523	-	-	4,167,523	4,154,948
Allocated Expenses												
Personnel expenses												
Attorneys	1,162,303	293,318	127,155	-	-	-	-	1,582,776	-	-	1,582,776	1,449,796
Paralegals	251,052	32,317	13,135	-	-	-	-	296,504	-	-	296,504	296,592
Other	227,279	200,059	4,254	-	-	-	-	431,592	-	-	431,592	480,400
Employee benefits	589,171	339,208	50,737	-	-	-	-	979,116	-	-	979,116	880,123
Total personnel expenses	2,229,805	864,902	195,281	-	-	-	-	3,289,988	-	-	3,289,988	3,106,911
Other expenses												
Occupancy	56,691	27,105	866	-	-	2,353	-	87,015	-	-	87,015	108,970
Equipment rental	24,224	9,045	-	-	-	-	-	33,269	-	-	33,269	44,291
Office supplies and expenses	35,669	31,283	1,668	3,833	-	1,399	-	73,852	-	-	73,852	66,532
Telephone	10,083	3,715	-	-	-	-	-	13,798	-	-	13,798	13,776
Travel	12,357	1,040	159	-	-	-	-	13,556	-	-	13,556	46,290
Training	9,782	501	-	-	2,500	-	-	12,783	-	-	12,783	43,956
Library	54,859	12,310	134	-	-	-	-	67,303	-	-	67,303	33,454
Insurance	10,313	9,085	-	-	-	-	-	19,398	-	-	19,398	19,235
Dues and fees	16,166	-	-	-	-	-	-	16,166	-	-	16,166	15,701
Audit	11,405	10,945	-	-	-	-	-	22,350	-	-	22,350	21,805
Litigation	3,850	338	-	-	-	-	-	4,188	-	-	4,188	3,153
Contract services to program	233,009	61,015	-	-	24,000	17,415	5,000	340,439	-	-	340,439	314,742
Depreciation	-	-	-	-	-	-	-	-	22,660	46,290	68,950	48,765
Other	7,183	2,150	-	-	-	-	-	9,333	-	-	9,333	21,669
Total other expenses	485,591	168,532	2,827	3,833	26,500	21,167	5,000	713,450	22,660	46,290	782,400	802,339
Total allocated expenses	2,715,396	1,033,434	198,108	3,833	26,500	21,167	5,000	4,003,438	22,660	46,290	4,072,388	3,909,250
Revenues, Gains and Other Support over (Under) Allocated Expenses	38,758	17,166	5,596	6,125	-	96,440	-	164,085	(22,660)	(46,290)	95,135	245,698
Other Changes in Net Assets												
Change in LSC guidance	-	(255,712)	-	-	-	-	-	(255,712)	-	-	(255,712)	-
Acquisition of property	(54,904)	(17,166)	(5,596)	(6,125)	-	(96,440)	-	(180,231)	125,327	54,904	-	-
Change in Net Assets	(16,146)	(255,712)	-	-	-	-	-	(271,858)	102,667	8,614	(160,577)	245,698
Net Assets, Beginning of Year	1,188,913	255,712	-	-	-	-	-	1,444,625	356,544	1,053,721	2,854,890	2,609,192
Net Assets, End of Year	\$ 1,172,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,172,767	\$ 459,211	\$ 1,062,335	\$ 2,694,313	\$ 2,854,890

**Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid**

**Schedule of Revenues, Support and Allocated Expenses for Satisfaction of
Program Restrictions for Other Grants
(with Comparative Information for Prior Year)
Years Ended December 31, 2020 and 2019**

	2020				2019	
	Title III	IOLTA Grant	State Grants	Other Non-LSC Grants	Total	Total
Revenues, Gains and Other Support						
Grants and contracts	\$ 167,837	\$ 92,626	\$ 85,045	\$ 2,311,664	\$ 2,657,172	\$ 2,617,307
Court appointed attorney fees	-	-	5,250	-	5,250	5,995
Gain on property	-	-	-	-	-	9,000
Other income	190	-	-	91,542	91,732	86,555
Total revenues, gains and other support	168,027	92,626	90,295	2,403,206	2,754,154	2,718,857
Allocated Expenses						
Personnel expenses						
Attorneys	42,920	50,499	14,819	1,054,065	1,162,303	1,170,679
Paralegals	15,283	1,486	7,050	227,233	251,052	236,950
Other	46,073	16,643	11,887	152,676	227,279	318,209
Employee benefits	52,364	33,288	13,684	489,835	589,171	496,572
Total personnel expenses	156,640	101,916	47,440	1,923,809	2,229,805	2,222,410
Other expenses						
Occupancy	-	4,695	4,283	47,713	56,691	82,464
Equipment rental	3,430	1,448	1,835	17,511	24,224	34,948
Office supplies and expenses	5,508	2,992	2,740	24,429	35,669	51,076
Telephone	1,576	1,351	521	6,635	10,083	9,474
Travel	904	224	202	11,027	12,357	40,451
Training	279	64	289	9,150	9,782	39,108
Library	-	1,998	1,775	51,086	54,859	24,228
Insurance	367	1,011	843	8,092	10,313	12,852
Dues and fees	-	85	14,647	1,434	16,166	15,701
Audit	583	519	1,223	9,080	11,405	12,615
Litigation	-	45	68	3,737	3,850	2,159
Contract services to program	2,294	3,047	11,905	215,763	233,009	220,864
Other	1,049	536	486	5,112	7,183	9,435
Total other expenses	15,990	18,015	40,817	410,769	485,591	555,375
Total allocated expenses	172,630	119,931	88,257	2,334,578	2,715,396	2,777,785
Revenues, Gains and Other Support over (Under) Allocated Expenses	(4,603)	(27,305)	2,038	68,628	38,758	(58,928)
Other Changes in Net Assets						
Acquisition of property	-	-	(2,038)	(52,866)	(54,904)	(42,517)
Change in Net Assets	(4,603)	(27,305)	-	15,762	(16,146)	(101,445)
Net Assets, Beginning of Year	4,603	66,466	-	1,117,844	1,188,913	1,290,358
Net Assets, End of Year	\$ -	\$ 39,161	\$ -	\$ 1,133,606	\$ 1,172,767	\$ 1,188,913

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Schedule of Expenses for Private Attorney Involvement
Years Ended December 31, 2020 and 2019

	2020	2019
Personnel Expenses		
Attorneys	\$ 57,069	\$ 26,263
Paralegals	547	1,328
Other	21,130	27,102
Employee benefits	17,980	24,889
Total personnel expenses	96,726	79,582
Other Expenses		
Occupancy	5,428	3,073
Equipment rental	2,076	1,249
Office supplies and expenses	3,691	1,735
Telephone	861	388
Travel	846	1,305
Training	798	1,240
Library	4,200	943
Insurance	1,210	542
Dues and fees	1,009	443
Audit	1,395	615
Contract services to program	71,607	72,851
Total other expenses	93,121	84,384
Total expenses	\$ 189,847	\$ 163,966

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Office of Inspector General/ Legal Services Program	09.618036		\$ -	\$ 1,050,600
Rural Intern Summer Legal Corps Student Fellowship			-	5,000
LCS Carryover Waiver			-	117,607
LCS TIG Grant			-	26,500
LSC Telework Capacity Building Grant CVT20083			-	9,958
LSC COVID-19 Response Grant CV20087			-	203,704
			<u>-</u>	<u>1,413,369</u>
U.S. Department of Health and Human Services Administration on Aging/Barren River Area Development District/Special Programs for the Aging – Title VII Chapter 3 – Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON 725 1900004491	-	<u>5,284</u>
U.S. Department of Health and Human Services Aging Cluster; Administration on Aging/Special Programs for the Aging – Title III, for Supportive Services and Senior Centers				
Barren River Area Development District	93.044	PON2 725 2000000214, PON2 725 1900000876	-	77,890
Purchase Area Development District	93.044	PON2 725 1700002717	-	19,630
Pennyrite Area Development District	93.044	M-05154452(3)	-	18,975
Green River Area Development District	93.044	PON2 725 2000002717	-	<u>20,200</u>
			<u>-</u>	<u>136,695</u>
U.S. Department of Health and Human Services Administration on Aging/Barren River Area Development District/Special Programs for the Aging – Title VII Ombudsman	93.042	PON 725 1900004491	-	<u>11,471</u>
U.S. Department of Health and Human Services Administration on Aging/Barren River Area Development District/Centers for Medicare and Medicaid Services (CMS) Research Aging – State Health Insurance Assistance Programs	93.779	PON2 725 1900001119	-	<u>14,640</u>
U.S. Department of Health and Human Services Administration on Aging/Barren River Area Development District/Lifespan Respite Care Program – <i>Medicare Improvements for Patients and Providers Act</i> – State Health Insurance Assistance	93.071	PON2 725 2000000094	-	<u>4,540</u>
U.S. Department of Justice, Office on Violence Against Women/Legal Assistance for Victims	16.524	2016-WL-AX-0048	-	<u>136,218</u>
U.S. Department of Housing and Urban Development/West Tennessee Legal Services/ Housing Counseling Assistance Program	14.169	HC-1800-11022/HC-1900-11022	-	<u>24,305</u>
U.S. Department of Justice, Office on Violence Against Women/Kentucky Justice and Public Safety Cabinet/ <i>Victims of Crime Act</i> Grant (VOCA)	16.575	VOCA-2019-CUMBERLAND-00063 and VOCA-2020-CUMBERLAND 00036	-	<u>1,036,895</u>
			<u>\$ -</u>	<u>\$ 2,783,417</u>

The accompanying notes are an integral part of this schedule

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *United States Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable, or are limited, as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use 10% *de minimis* indirect cost rate allowed under Uniform Guidance. The Legal Services Program grant is considered to be high risk.
3. There are no federal loan programs administered directly by the Organization.

**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 Auditor's Report

Board of Directors
Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Bowling Green, Kentucky

We have audited, 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, the financial statements of Cumberland Trace Legal Services, Inc. d/b/a Kentucky Legal Aid (Organization), which comprise the statement of financial position as of December 31, 2020, 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 13, 2021, which contained an emphasis of matter paragraph regarding a change in Legal Services Corporation guidelines.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity'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 Organization'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
April 13, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Cumberland Trace Legal Services, Inc. d/b/a Kentucky Legal Aid's (Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* and the Legal Services Corporation *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization'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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Legal Services Corporation Audit Guide*. Those standards and the Uniform Guidance and the *Legal Service Corporation 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of 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, 2020.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 with the *Legal Service Corporation Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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.

Board of Directors
Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Page 3

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 *Legal Services Corporation Audit Guide*. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Louisville, Kentucky
April 13, 2021

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

7. The Organization's major programs were:

Cluster/Program	Assistance Listing Number
Legal Services Corporation	09.618036
Victims of Crime Act (VOCA) Grant	16.575

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee?

Yes No

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	

Cumberland Trace Legal Services, Inc.
d/b/a Kentucky Legal Aid
Schedule of Prior Audit Findings
Year Ended December 31, 2020

Reference Number	Summary of Finding	Status
2019-001	During 2019, management identified a clerical error with an amount recorded as revenue versus deferred revenue. As all of the funding was expended for the required purpose in the current year, the matter was resolved.	Resolved