

My accountant told me that the only reason why my business is looking up is that it's flat on it's back.

Accountants aren't boring people, we just get excited over boring things.

What's the definition of an accountant?

Someone who solves a problem you didn't know you had in a way you don't understand.

LEGAL AID SERVICES OF OKLAHOMA, INC.



financial matter support
for directors

October 2007

Financial Information

Everyone's needs are different

- Management Staff
- Donors
- Grantors
- Creditors
- Budget & Audit Committees
- **Board of Directors**

This program is for you!

Agenda

Legal Aid Services of Oklahoma, Inc. provides legal services to eligible individuals statewide.

This presentation provides guidance to boards of directors to help them in fulfilling their financial oversight responsibilities.



Responsibility



Accounting
Concepts



Review sample
Audited Financial
Statements



Net Assets



Tools

Responsibility

Responsible Financial Management

A method of operating that produces:

- Accurate and timely financial information
- Informed fiscal oversight
- Realistic financial planning
- Adequate working capital

“Yes” should always be the answer

- Sound financial Management System
- Appropriate accounting and reporting system
- Adequate internal controls
- Appropriate budgeting
- Concurrence with Strategic Planning
- Self sufficient programs
- Justifiable expenses
- Adequate income diversification
- Reliability of core revenues
- Minimal budget variances
- Adequate working capital and reserves

Board of Directors

- Set Policy
- Monitor management
- Advocate the mission of the organization

Regarding Financials:

- Have an Active Budget & Audit Committee
 - Approve Budget
- Look for reasonableness (common sense)
 - Ask questions!

1. Why Budget & Audit Committee?

- Concepts of accounting, internal controls, and reporting requirements can be very complex
- Efficiency demands a small group of directors able and willing to devote time to communicate with auditor and understand these concepts

Budget & Audit Committee - Tasks

- Recommend selection of auditor
- Review scope of the audit
- Review the results of the audit
- Make inquiries as to the adequacy of the company's accounting, financial, and operating controls via *new* Fraud Risk Assessment
- Review financial reports and make recommendations to the board regarding budgets and financial policy

Segregation of Duties

The person responsible for the physical custody of an asset should not be the person recording the accounting entries with respect to that asset, and neither of those individuals should be responsible for initiating the transaction or authorizing the use of the asset, or for acquiring or disposing of it.

AICPA SAS # 99

- Thanks to Enron, Arthur Anderson, & Sarbanes-Oxley Act of 2002
- Auditor must obtain reasonable assurance that F/S are free of material misstatement (whether caused by error or fraud)
- Effective 10-15-2002
- Requires inquiries of management, staff, & board
- Resulted in LASO's Fraud Risk Assessment

AICPA SAS # 112 & SAS # 114

- Effective for 2007 audit
- Requires auditor to communicate internal control deficiencies to management and governance.
- Deficiency: When a control necessary to meet the control objective does not operate as designed, or person performing the control does not possess the necessary authority or qualification to perform the control effectively. Ranges from *"deficiency"* to *"significant deficiencies"*, to *"material weakness"*.

FASB 117 Financial Statements for Not-for-Profit Organizations

Requires uniform format

Requires basic statements:

1. Statement of Financial Position (Balance Sheet)
2. Statement of Activities (Income/Expense Statement)
3. Statement of Cash Flows
4. Statement of Functional Expenses (for social service agencies)

Requires grouping:

1. Unrestricted
2. Temporarily Restricted – donor requires \$ to be used for a specific purpose or for a future time period.
3. Permanently Restricted – assets are kept permanently but can use the income generated from the donated asset

FASB 116 Accounting for Contributions

An unconditional promise to make a contribution is revenue in the year the promise is received (Example – 3 year pledge to contribute \$1,000 a year).

Contributions classified as “restricted” or “unrestricted”.

Contributed Services. If contributed by persons with skills which would have been purchased is not provided by donation.

2. Approve Budgets

- Future plan of action expressed in monetary terms
- A tool to set realistic goals through resource allocation
- A means of monitoring the financial progress of an organization

3. What is Reasonable?

- Materiality = approximately $\frac{1}{2}$ %

Ex. For an annual budget of \$8M, materiality would be \$40,000

- Do numbers reflect other reports such as office openings, staffing/salary changes, etc.

Ex. Did rent go up because we opened the McAlester office? Did salaries go up because of the raise approved in last year's budget?

Accounting

Nonprofit vs. Profit

- **Stewardship:** Ultimate objective is to meet socially desirable need of the community.
- **Cash/not Profit:** Continue to exist only so long as sufficient cash to provide for their program
- **Accountability:** Separate accounting for resources
- **Functional Accounting**

LASO has 53 funding sources!
& 22 function codes

Methods of Accounting

- **Cash Basis:** There are no accounts receivable or accounts payable.
- **Matching Principle:** Expenses incurred to produce revenue must be matched together in the same accounting period.
- **Accrual Basis:** Revenue or expenses are assigned to the proper period (even if cash has not yet been paid or received, record what you owe others and what others owe you).

Types of Costs

- **Direct Costs:** Identifiable cost of producing services (salary & benefits, private attorney contracts, travel, litigation costs).
- **Fixed Period Costs:** Allocable (rent, utilities, telephone, supplies, insurance, audit costs, equipment maintenance/rental agreements)
- **Variable/Discretionary:** Asset purchases, training, promotional, printing, library

4

Ask

Questions

Financial Statements

Statement of Financial Position

aka Balance Sheet

Presents financial position at one given
point in time

"As of December 31,"

Financial Position Formula

Old "Balance Sheet"



Cash

LASO has 30 bank accounts!

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STATEMENT OF FINANCIAL POSITION				
As of December 31, 2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935
Other Assets:				
Endowment Fund (Note 6)	0	0	6,077	6,077
Unconditional Promises to Give	29,295	0	0	29,295
Total Other Assets	29,295	0	6,077	35,372
TOTAL ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 18,641	\$ 24,574	\$ 0	\$ 43,215
Other Payable	38,687	1	0	38,688
Client Trust Payable	0	12,316	0	12,316
Due to Grantor	0	2,962	0	2,962
Accrued Salaries and Benefits	121,077	0	0	121,077
Deferred Revenue	2,204	29,853	0	32,057
Accrued Vacation	326,242	0	0	326,242
Total Current Liabilities	506,851	69,706	0	576,557
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- Operating Account – funds invested in treasury fund “Sweep” Account nightly
- Each office has client trust account and imprest account
- Payroll Account
- Operating II – 3rd party Cafeteria Plan Administration

Unconditional Promises to Pay

Pledges Receivable

- Promise of "all" future contributions is recorded as revenue when promise is received

For 2006:

- Current (\$31,244) to be received within 1 year
- Other (\$1,755) 1-3 years
- 6% of Receivable is set aside in "Allowance for uncollectible Pledges"

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Prepaid Expenses

- Insurance Policies
- Postage
- Rent
- Pikepass

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Endowment Fund

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Beneficial Interest OKC Community Foundation

Money that LAWO gave to Community
Foundation for a permanent endowment

Community Foundations
have legal ownership and
variance power over the
funds.

Not Reflected is \$37,645 in
OKC and \$77,098 in Tulsa
that contributors have
donated in our name.

Property

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- Capitalization threshold is \$5,000
- Land & Building is our Poteau office
- Furniture and some equipment were capitalized under old threshold and will remain until completely depreciated

Grants Receivable & Deferred Revenue

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- Grants Receivable – earned but not yet received
- Deferred Revenue – money received in advance of providing services

Liabilities

A claim of the assets by an outsider .. A financial obligation

- **Accounts Payable** – owed to vendor for goods or services
- **Accrued Vacation** – benefit owed to employees either in time off or in payment upon termination of employment

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Statement of Activities

aka Income Statement

Summarizes financial activity for a
given period of time

"For the Year Ended"

"Support" Income

Income from voluntary contributions.

Classified as either **direct** (fundraising donations) or **indirect** (donation passes through an intermediary agency before it is received by the agency (United Way)).

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma						
STATEMENT OF ACTIVITIES						
For the Year Ended December 31, 2005						
	Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		LSC	NON-LSC	Total		
<u>REVENUES, GAINS AND OTHER SUPPORT</u>						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	52,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739
United Way Contributions	0	0	386,955	386,955	0	386,955
Miscellaneous Income	0	585	48	633	99	732
Interest Income	0	57,240	0	57,240	0	57,240
Donated Services	723,500	0	0	0	0	723,500
Total Revenue and Gains	2,463,123	4,195,343	1,204,537	5,399,880	99	7,863,102
Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,578,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
<u>EXPENSES</u>						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
Donated Services	723,500	0	0	0	0	723,500
Total Expenses	8,113,852	0	0	0	0	8,113,852
Change in Net Assets	(74,201)	(276,976)	100,328	(176,648)	99	(250,750)
Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Government Grant Income

Generally an exchange transaction (fee for service revenue) and not a contribution.

Examples: Title III,
HUD, LSC

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		LSC	NON-LSC	Total		
REVENUES, GAINS AND OTHER SUPPORT						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	52,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739
United Way	0	0	386,955	386,955	0	386,955
Contributions	170,884	25	240,876	240,903	0	411,787
Miscellaneous Income	0	585	48	633	99	732
Interest Income	0	57,240	0	57,240	0	57,240
Donated Services	723,500	0	0	0	0	723,500
Total Revenue and Gains	2,463,123	4,195,343	1,204,537	5,399,880	99	7,863,102
Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,576,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
EXPENSES						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
Donated Services	723,500	0	0	0	0	723,500
Total Expenses	8,113,852	0	0	0	0	8,113,852
Change in Net Assets	(74,201)	(276,976)	100,328	(176,648)	99	(250,750)
Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

"Revenue" Income

Contracts

Income from services performed or goods sold.

Examples: Public Defender Contract, DAP TANF Contract, Oklahoma State Revolving Fund, LSC Technology Grants

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma						
STATEMENT OF ACTIVITIES						
For the Year Ended December 31, 2005						
	Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		LSC	NON-LSC	Total		
<u>REVENUES, GAINS AND OTHER SUPPORT</u>						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	202,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739
United Way	0	0	386,955	386,955	0	386,955
Contributions	170,884	25	240,876	240,903	0	411,787
Miscellaneous Income	0	585	48	633	99	732
Interest Income	0	57,240	0	57,240	0	57,240
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Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,576,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
<u>EXPENSES</u>						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
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Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Revenue by Source (economic vulnerability)

- Government Grants 61%
- Contract Revenue 20%
- Donated Services 3%
- Contributions 6%
- United Way 5%
- Private Grants 3%
- Interest Income 1%

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	Unrestricted	LSC	Temporarily Restricted NON-LSC	Total	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	52,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739
United Way	0	0	386,955	386,955	0	386,955
Contributions	170,884	25	240,876	240,903	0	411,787
Miscellaneous Income	0	585	48	633	99	732
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Total Revenue and Gains	2,463,123	4,195,343	1,204,537	5,399,880	99	7,863,102
Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,576,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
EXPENSES						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
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Net Assets, Beginning of Year	1,407,827	758,164	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Function Classification

(The function representing the organizations highest mission priority should be receiving the highest portion of the agency's resources.

Civil Legal Services 76%

Management & General 12%

Donated Services 3%

Public Defender Services 5%

Fund Raising 3%

Rule of thumb ... at least 70% should be for program activities, Management between 7-15%, Fundraising 4-10% **.

** Organization where grants and renewals are prepared by Development Office (not our case).

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		LSC	NON-LSC	Total		
REVENUES, GAINS AND OTHER SUPPORT						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
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Contract Revenue	1,418,739	0	0	0	0	1,418,739
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Contributions	170,884	25	240,878	240,903	0	411,787
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Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,576,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
EXPENSES						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
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Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Statement of Cash Flows

"Just tell me what happened to the cash."

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

<u>Cash Flows From Operating Activities:</u>	
Change in Net Assets	\$ (250,750)
Adjustments to Reconcile the Change in Net Assets to Cash	
Provided by (used for) Operating Activities:	
Depreciation	62,165
(Increase) Decrease in Receivables	72,042
(Increase) Decrease in Prepaid Expenses	(8,059)
Increase (Decrease) in Payables	(12,160)
Increase (Decrease) in Client Trust Liabilities	(6,070)
Increase (Decrease) in Due to Grantor	2,962
Increase (Decrease) in Accrued Payroll and Benefits	(3,411)
Increase (Decrease) in Deferred Revenue	(137,762)
Increase (Decrease) in Accrued Vacation	18,311
(Increase) Decrease in Endowment Fund	(99)
Net Cash Provided (Used) by Operating Activities	<u>(262,831)</u>
<u>Cash Flows From Investing Activities:</u>	
Purchase of Fixed Assets	(21,425)
Net Cash Provided (Used) by Investing Activities	<u>(21,425)</u>
<u>Cash Flows From Financing Activities:</u>	0
Net Increase (Decrease) in Cash	<u>(284,256)</u>
Cash, Beginning of Year	<u>1,980,374</u>
CASH, END OF YEAR	\$ <u>1,696,118</u>

For 2006:

Start with loss for year (\$83,105)

Add back non-cash expenses
\$47,975

Increase in Assets (\$109,422)

Decrease in Liabilities (\$46,591)

Purchase of assets (\$11,363)

Equals:

Total Use of Cash (\$202,506)

Statement of Functional Expenses

Expense Ratios ...

For 2006:

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2005

EXPENSES	Civil Legal Services	Municipal Legal Services	General and Adminis- trative	Fund Raising	Total
Salaries	\$ 3,619,484	\$ 303,182	\$ 501,030	\$ 77,668	\$ 4,501,364
Fringe Benefits	1,032,524	73,864	128,738	20,718	1,255,844
Occupancy	351,190	21,308	31,140	10,256	413,894
Office Expense	143,721	5,390	88,983	35,346	273,440
Telephone	113,988	325	7,860	2,779	124,952
Travel	124,247	0	10,405	2,642	137,294
Litigation	15,926	108	0	0	16,034
Training	57,138	189	20,187	5,086	82,600
Library	87,730	3,135	4,860	4,775	100,500
Dues and Fees	21,157	455	18,935	589	41,136
Insurance	0	0	34,034	0	34,034
Professional Services	250	0	22,846	0	23,096
Private Contract Attorneys	26,435	0	0	0	26,435
Equipment	53,545	0	28,237	70	81,852
Equipment Maintenance	83,982	1,434	127,535	2,761	215,712
Depreciation Expense	0	0	62,165	0	62,165
Donated Services	723,500	0	0	0	723,500
TOTAL EXPENSES	\$ 6,454,817	\$ 409,390	\$ 1,086,955	\$ 162,690	\$ 8,113,852

- Salaries 60%
- Benefits 16%
- Donated Services, Contract Attorneys 3%
- Occupancy, Office, Telephone 11%
- Equipment 3%
- Training, Library, Insurance, Dues, Professional Services 5%
- Travel, Litigation 2%

... & Functions (programs)

For 2006:

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2005

	Civil Legal Services	Municipal Legal Services	General and Adminis- trative	Fund Raising	Total
EXPENSES					
Salaries	\$ 3,619,484	\$ 303,182	\$ 501,030	\$ 77,668	\$ 4,501,364
Fringe Benefits	1,032,524	73,864	128,738	20,718	1,255,844
Occupancy	351,190	21,308	31,140	10,256	413,894
Office Expense	143,721	5,390	88,983	35,346	273,440
Telephone	113,988	325	7,860	2,779	124,952
Travel	124,247	0	10,405	2,642	137,294
Litigation	15,926	108	0	0	16,034
Training	57,138	189	20,187	5,086	82,600
Library	87,730	3,135	4,860	4,775	100,500
Dues and Fees	21,157	455	18,935	589	41,136
Insurance	0	0	34,034	0	34,034
Professional Services	250	0	22,846	0	23,096
Private Contract Attorneys	26,435	0	0	0	26,435
Equipment	53,545	0	28,237	70	81,852
Equipment Maintenance	83,982	1,434	127,535	2,761	215,712
Depreciation Expense	0	0	62,165	0	62,165
Donated Services	723,500	0	0	0	723,500
TOTAL EXPENSES	\$ 6,454,817	\$ 409,390	\$ 1,086,955	\$ 162,690	\$ 8,113,852

- Program Services 85%
 - Civil Legal Services 79%
 - Public Defender 5.5%
- Administrative 12%
- Fundraising 3% **

** 42% of contribution revenue

**Ask
Questions**

Net Assets

Aka Fund Balance

Net Assets - What is it?



- Only a new non-profit will have "0"
- Each year the Statement of Activities accumulates revenue and expenses
- At end of year it is deposited to (withdrawn from) the beginning balance

Net Assets

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma

STATEMENT OF FINANCIAL POSITION

As of December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935
Other Assets:				
Endowment Fund (Note 6)	0	0	6,077	6,077
Unconditional Promises to Give	29,295	0	0	29,295
Total Other Assets	29,295	0	6,077	35,372
TOTAL ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 18,641	\$ 24,574	\$ 0	\$ 43,215
Other Payable	38,687	1	0	38,688
Client Trust Payable	0	12,316	0	12,316
Due to Grantor	0	2,962	0	2,962
Accrued Salaries and Benefits	121,077	0	0	121,077
Deferred Revenue	2,204	29,853	0	32,057
Accrued Vacation	326,242	0	0	326,242
Total Current Liabilities	506,851	69,706	0	576,557
Total Liabilities	506,851	69,706	0	576,557
Net Assets:				
Unrestricted	1,338,854	0	0	1,338,854
Temporarily Restricted:				
Legal Services Corporation	0	488,745	0	488,745
Non-LSC	0	101,354	0	101,354
Permanently Restricted	0	0	6,077	6,077
Total Net Assets	1,338,854	590,099	6,077	1,935,030
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		LSC	NON-LSC	
REVENUES, GAINS AND OTHER SUPPORT				
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	202,169
Contract Revenue	1,418,739	0	0	1,418,739
United Way	0	0	386,955	386,955
Contributions	170,884	25	240,878	411,787
Miscellaneous Income	0	585	48	633
Interest Income	0	57,240	0	57,240
Donated Services	723,500	0	0	723,500
Total Revenue and Gains	2,463,123	4,195,343	1,204,537	5,399,880
Net Assets Released From Restrictions:				
Satisfaction of Program Requirements	5,576,528	(4,472,319)	(1,104,209)	(5,576,528)
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)
EXPENSES				
Civil Legal Services	5,731,317	0	0	5,731,317
Municipal Legal Services	409,390	0	0	409,390
Management and General	1,086,955	0	0	1,086,955
Fund Raising	162,690	0	0	162,690
Donated Services	723,500	0	0	723,500
Total Expenses	8,113,852	0	0	8,113,852
Change in Net Assets	(74,201)	(276,976)	100,328	(176,648)
Net Assets, Beginning of Year	1,407,827	758,184	13,791	2,185,780
Transfers	5,228	7,537	(12,765)	0
Gain/Loss on Disposal of Property	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 1,935,030

How much is enough?

- What if a major grant is reduced or terminated?
- What would you need to close down your organization with dignity?
- Satisfaction of performance requirements with donors.
- Legal and notification requirements.
- Transfer of clients.
- Notification to staff, severance pay, opportunity to secure alternative employment.

LASO's Board has approved a minimum net assets goal of 25% of budgeted expenses.

Board Designated Net Assets

- Those net asset dollars restricted by the board for a stated purpose.
- Use of money requires board action.

LASO's board has designated \$350,000 for technology replacements.

**Ask
Questions**

Tools

Is the organization financially
healthy?

Working capital

(current assets – current liabilities)

In this example
\$1,769,723

In 2006 audit
\$1,750,702

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma

STATEMENT OF FINANCIAL POSITION

As of December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935
Other Assets:				
Endowment Fund (Note 6)	0	0	6,077	6,077
Unconditional Promises to Give	29,295	0	0	29,295
Total Other Assets	29,295	0	6,077	35,372
TOTAL ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 18,641	\$ 24,574	\$ 0	\$ 43,215
Other Payable	38,687	1	0	38,688
Client Trust Payable	0	12,316	0	12,316
Due to Grantor	0	2,962	0	2,962
Accrued Salaries and Benefits	121,077	0	0	121,077
Deferred Revenue	2,204	29,853	0	32,057
Accrued Vacation	326,242	0	0	326,242
Total Current Liabilities	506,851	69,706	0	576,557
Total Liabilities	506,851	69,706	0	576,557
Net Assets:				
Unrestricted	1,338,854	0	0	1,338,854
Temporarily Restricted:				
Legal Services Corporation	0	488,745	0	488,745
Non-LSC	0	101,354	0	101,354
Permanently Restricted	0	0	6,077	6,077
Total Net Assets	1,338,854	590,099	6,077	1,935,030
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587

Liquidity ratio (number of days of operating expenses covered by working capital ... absolute minimum should be 30 days, may be up to 180 days)

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF FINANCIAL POSITION

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ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935

Example: Working Capital \$1,769,723 /
\$22,230 a day = 79.6 days

2006 audit: \$1,750,702/\$20,951 = 83.5
days

Total Current Liabilities	506,851	69,706	0	576,557
Total Liabilities	506,851	69,706	0	576,557
Net Assets:				
Unrestricted	1,338,854	0	0	1,338,854
Temporarily Restricted:				
Legal Services Corporation	0	488,745	0	488,745
Non-LSC	0	101,354	0	101,354
Permanently Restricted	0	0	6,077	6,077
Total Net Assets	1,338,854	590,099	6,077	1,935,030
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587

LEGAL AID SERVICES OF OKLAHOMA, INC.
Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	Unrestricted	LSC	Temporarily Restricted NON-LSC	Total	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	52,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739

Example: Total Expenses \$8,113,852 /
365 days = \$22,230 a day

2006 Audit: \$7,647,305/365 = \$20,951

Requirements	5,578,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
EXPENSES						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
Donated Services	723,500	0	0	0	0	723,500
Total Expenses	8,113,852	0	0	0	0	8,113,852
Change in Net Assets	(74,201)	(276,976)	100,328	(176,648)	99	(250,750)
Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Current Ratio (ability to pay debts with available resources)

Current assets/current liabilities

Example: 4.07

2006 Audit: 4.30

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma				
STATEMENT OF FINANCIAL POSITION				
As of December 31, 2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935
Other Assets:				
Endowment Fund (Note 6)	0	0	6,077	6,077
Unconditional Promises to Give	29,295	0	0	29,295
Total Other Assets	29,295	0	6,077	35,372
TOTAL ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 18,641	\$ 24,574	\$ 0	\$ 43,215
Other Payable	38,687	1	0	38,688
Client Trust Payable	0	12,316	0	12,316
Due to Grantor	0	2,962	0	2,962
Accrued Salaries and Benefits	121,077	0	0	121,077
Deferred Revenue	2,204	29,853	0	32,057
Accrued Vacation	326,242	0	0	326,242
Total Current Liabilities	506,851	69,706	0	576,557
Total Liabilities	506,851	69,706	0	576,557
Net Assets:				
Unrestricted	1,338,854	0	0	1,338,854
Temporarily Restricted:				
Legal Services Corporation	0	488,745	0	488,745
Non-LSC	0	101,354	0	101,354
Permanently Restricted	0	0	6,077	6,077
Total Net Assets	1,338,854	590,099	6,077	1,935,030
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587

Availability of Cash (how much of incoming revenues are cash.. Should be greater than 10%)

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma

STATEMENT OF FINANCIAL POSITION

As of December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,275,570	\$ 420,548	\$ 0	\$ 1,696,118
Grants Receivable	470,164	40,089	0	510,253
Other Receivables	0	756	0	756
Unconditional Promises to Give	30,619	40,865	0	71,484
Allowance for Uncollectible Promises	(11,963)	0	0	(11,963)
Prepaid Expenses	0	79,632	0	79,632
Total Current Assets	1,764,390	581,890	0	2,346,280
Property (Note 3):				
Land	0	6,500	0	6,500
Buildings & Improvements	0	87,676	0	87,676
Furniture	0	11,429	0	11,429
Equipment	146,259	88,839	0	235,098
Software	37,527	4,225	0	41,752
Less: Accumulated Depreciation	(131,766)	(120,754)	0	(252,520)
Total Property	52,020	77,915	0	129,935

Cash/Total Revenues (2005) = 21.6

2006 = 19.7

Current Liabilities:				
Accounts Payable	\$ 18,641	\$ 24,574	\$ 0	\$ 43,215
Other Payable	38,687	1	0	38,688
Client Trust Payable	0	12,316	0	12,316
Due to Grantor	0	2,962	0	2,962
Accrued Salaries and Benefits	121,077	0	0	121,077
Deferred Revenue	2,204	29,853	0	32,057
Accrued Vacation	326,242	0	0	326,242
Total Current Liabilities	506,851	69,706	0	576,557
Total Liabilities	506,851	69,706	0	576,557
Net Assets:				
Unrestricted	1,338,854	0	0	1,338,854
Temporarily Restricted:				
Legal Services Corporation	0	488,745	0	488,745
Non-LSC	0	101,354	0	101,354
Permanently Restricted	0	0	6,077	6,077
Total Net Assets	1,338,854	590,099	6,077	1,935,030
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,705	\$ 659,805	\$ 6,077	\$ 2,511,587

LEGAL AID SERVICES OF OKLAHOMA, INC. Oklahoma City, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	Unrestricted	LSC	Temporarily Restricted NON-LSC	Total	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Government Grant Revenue	\$ 0	\$ 4,137,493	\$ 524,487	\$ 4,661,980	\$ 0	\$ 4,661,980
Private Grant Revenue	150,000	0	52,169	52,169	0	202,169
Contract Revenue	1,418,739	0	0	0	0	1,418,739
United Way	0	0	386,955	386,955	0	386,955
Contributions	170,884	25	240,878	240,903	0	411,787
Miscellaneous Income	0	585	48	633	99	732
Interest Income	0	57,240	0	57,240	0	57,240
Donated Services	723,500	0	0	0	0	723,500
Total Revenue and Gains	2,463,123	4,195,343	1,204,537	5,398,880	99	7,863,102
Net Assets Released From Restrictions:						
Satisfaction of Program Requirements	5,578,528	(4,472,319)	(1,104,209)	(5,576,528)	0	0
Total Revenues, Gains and Other Support	8,039,651	(276,976)	100,328	(176,648)	99	7,863,102
EXPENSES						
Civil Legal Services	5,731,317	0	0	0	0	5,731,317
Municipal Legal Services	409,390	0	0	0	0	409,390
Management and General	1,086,955	0	0	0	0	1,086,955
Fund Raising	162,690	0	0	0	0	162,690
Donated Services	723,500	0	0	0	0	723,500
Total Expenses	8,113,852	0	0	0	0	8,113,852
Change in Net Assets	(74,201)	(276,976)	100,328	(176,648)	99	(250,750)
Net Assets, Beginning of Year	1,407,827	758,184	13,791	771,975	5,978	2,185,780
Transfers	5,228	7,537	(12,765)	(5,228)	0	0
Gain/Loss on Disposal of Property	0	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 1,338,854	\$ 488,745	\$ 101,354	\$ 590,099	\$ 6,077	\$ 1,935,030

Recent Developments

Approved Indirect Cost Rate

Automatically approved summary charge for
all federal grants

VS.

Pages of itemized reimbursement requests

LASO's rate is 21.7% of direct salaries.

**Ask
Questions**

Looking Forward

Performance Measurement

“Outcome Measurement”

Efficiency and Performance Evaluation

- Quantity of service/products
- Degree of goal accomplishment
- Cost to produce service/products
- Beneficiary satisfaction
- Degree of change in an individual/society

New Form 990 (2008)

- Expands disclosure on compensation, benefits and expenses.
- Disclose related party transactions & conflicts of interest.

Green Initiative

- Deposits made by scanned checks
- P-Cards
- E-mailing of PDF financial reports
- On-line requisitions
- On-line expense report submittals
- On-line expenditure approvals
- Accounts payable paid by wire transfers instead of checks

LEGAL AID SERVICES
OF OKLAHOMA, INC.



Remember:

Ask Questions