

LAWYERS CONCERNED FOR LAWYERS

ST. PAUL, MINNESOTA

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 (AUDITED) AND 2017 (UNAUDITED)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lawyers Concerned for Lawyers
St. Paul, Minnesota

We have audited the accompanying financial statements of Lawyers Concerned for Lawyers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 Organization's preparation and fair presentation of the financial statements in order to design audit

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procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

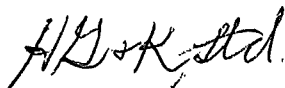
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawyers Concerned for Lawyers as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on the June 30, 2017 Financial Statements

The financial statements of Lawyers Concerned for Lawyers as of June 30, 2017, were reviewed by other accountants whose report dated November 20, 2017, stated that based on their procedures, they were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.



HG&K, Ltd
Certified Public Accountants

January 23, 2019

LAWYERS CONCERNED FOR LAWYERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018 (Audited)	2017 (Unaudited)
CURRENT ASSETS		
Cash	\$ 208,406	\$ 188,829
Grants receivable	32,119	21,682
Contributions receivable	7,599	2,750
Prepaid expenses	3,722	3,663
	<u>\$ 251,846</u>	<u>\$ 216,924</u>
FIXED ASSETS		
Furniture and equipment	\$ 45,246	\$ 39,622
Leasehold improvements	2,039	2,039
Website development costs	12,813	4,063
Accumulated depreciation	(42,860)	(40,073)
	<u>\$ 17,238</u>	<u>\$ 5,651</u>
NONCURRENT ASSETS		
Security deposit	\$ 3,786	\$ 3,786
Contributions receivable	-	2,500
	<u>\$ 3,786</u>	<u>\$ 6,286</u>
TOTAL ASSETS	<u><u>\$ 272,870</u></u>	<u><u>\$ 228,861</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 8,429	\$ 9,757
Accrued expenses	4,417	4,533
	<u>\$ 12,846</u>	<u>\$ 14,290</u>
NET ASSETS		
Unrestricted	\$ 192,555	\$ 174,472
Temporarily restricted	67,469	40,099
	<u>\$ 260,024</u>	<u>\$ 214,571</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 272,870</u></u>	<u><u>\$ 228,861</u></u>

See accompanying notes to financial statements.

LAWYERS CONCERNED FOR LAWYERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018 (Audited)			2017 (Unaudited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Annual grant - Legal Services Advisory Committee	\$ 454,410	\$ 25,000	\$ 479,410	\$ 443,050	\$ -	\$ 443,050
Donations	53,102	15,485	68,587	43,162	3,000	46,162
Grants	12,500	8,000	20,500	22,610	3,900	26,510
Contributed services	-	-	-	1,250	-	1,250
Program fees and honoraria	2,229	-	2,229	3,528	-	3,528
Interest income	420	-	420	328	-	328
Miscellaneous income	710	-	710	893	-	893
Gain / (loss) on disposition of fixed assets	(364)	-	(364)	-	-	-
Net assets released from restriction	21,115	(21,115)	-	5,776	(5,776)	-
	<u>\$ 544,122</u>	<u>\$ 27,370</u>	<u>\$ 571,492</u>	<u>\$ 520,597</u>	<u>\$ 1,124</u>	<u>\$ 521,721</u>
SPECIAL EVENT						
Revenue	\$ 1,852	\$ -	\$ 1,852	\$ 17,635	\$ -	\$ 17,635
Contributions	1,900	-	1,900	47,518	-	47,518
In kind contributions	-	-	-	2,500	-	2,500
Direct event expenses	(2,085)	-	(2,085)	(21,374)	-	(21,374)
	<u>\$ 1,667</u>	<u>\$ -</u>	<u>\$ 1,667</u>	<u>\$ 46,279</u>	<u>\$ -</u>	<u>\$ 46,279</u>
Total support and revenue	<u>\$ 545,789</u>	<u>\$ 27,370</u>	<u>\$ 573,159</u>	<u>\$ 566,876</u>	<u>\$ 1,124</u>	<u>\$ 568,000</u>
FUNCTIONAL EXPENSES						
Program services	\$ 422,507	\$ -	\$ 422,507	\$ 412,752	\$ -	\$ 412,752
Management and general	90,528	-	90,528	89,156	-	89,156
Fundraising	14,671	-	14,671	21,915	-	21,915
	<u>\$ 527,706</u>	<u>\$ -</u>	<u>\$ 527,706</u>	<u>\$ 523,823</u>	<u>\$ -</u>	<u>\$ 523,823</u>
CHANGES IN NET ASSETS	\$ 18,083	\$ 27,370	\$ 45,453	\$ 43,053	\$ 1,124	\$ 44,177
NET ASSETS, BEGINNING OF YEAR	<u>174,472</u>	<u>40,099</u>	<u>214,571</u>	<u>131,419</u>	<u>38,975</u>	<u>170,394</u>
NET ASSETS, END OF YEAR	<u>\$ 192,555</u>	<u>\$ 67,469</u>	<u>\$ 260,024</u>	<u>\$ 174,472</u>	<u>\$ 40,099</u>	<u>\$ 214,571</u>

See accompanying notes to financial statements.

LAWYERS CONCERNED FOR LAWYERS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018 (Audited)			2017 (Unaudited)				
	Program Services	Management and General	Fundraising	Total All Services	Program Services	Management and General	Fundraising	Total All Services
Salaries	\$ 224,933	\$ 53,526	\$ 6,555	\$ 285,014	\$ 216,702	\$ 51,157	\$ 7,179	\$ 275,038
Payroll taxes	17,324	4,123	505	21,952	16,807	3,968	556	21,331
Employee benefits	26,428	7,635	881	34,944	24,407	7,593	883	32,883
Rent	44,511	10,592	1,297	56,400	43,671	10,309	1,447	55,427
Telephone	6,203	1,476	182	7,861	4,548	1,073	151	5,772
Office supplies and equipment	9,343	2,118	475	11,936	5,595	2,205	397	8,197
Insurance	4,508	2,300	144	6,952	4,184	2,208	133	6,525
Accounting	-	7,330	-	7,330	-	7,105	-	7,105
Professional services	700	-	455	1,155	420	1,250	-	1,670
Staff development	5,972	70	-	6,042	4,868	316	-	5,184
Member events and meetings	749	170	-	919	279	261	-	540
Public awareness	11,850	-	4,146	15,996	12,265	29	4,548	16,842
Travel	9,069	68	-	9,137	8,484	79	-	8,563
Event expenses	-	-	-	-	6,600	-	6,600	13,200
Mental and chemical health services	58,295	-	-	58,295	60,466	-	-	60,466
Expenses before depreciation	\$ 419,885	\$ 89,408	\$ 14,640	\$ 523,933	\$ 409,296	\$ 87,553	\$ 21,894	\$ 518,743
Depreciation	2,622	1,120	31	3,773	3,456	1,603	21	5,080
Total expenses	<u>\$ 422,507</u>	<u>\$ 90,528</u>	<u>\$ 14,671</u>	<u>\$ 527,706</u>	<u>\$ 412,752</u>	<u>\$ 89,156</u>	<u>\$ 21,915</u>	<u>\$ 523,823</u>

See accompanying notes to financial statements.

LAWYERS CONCERNED FOR LAWYERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u> <u>(Audited)</u>	<u>2017</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 45,453	\$ 44,177
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Gain) / loss on disposition of fixed assets	364	-
Depreciation	3,773	5,080
Increase (decrease) in cash from changes in:		
Grants receivable	(10,437)	(21,682)
Contributions receivable	(2,349)	(4,141)
Prepaid expenses	(59)	1,561
Accounts payable	(1,328)	946
Accrued expenses	(116)	(935)
	<u>\$ 35,301</u>	<u>\$ 25,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	\$ (15,724)	\$ (1,120)
	<u>\$ (15,724)</u>	<u>\$ (1,120)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 19,577	\$ 23,886
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>188,829</u>	<u>164,943</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 208,406</u>	<u>\$ 188,829</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lawyers Concerned for Lawyers (LCL) was organized August 1, 1976 and has been determined to be a charitable, nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. LCL serves as Minnesota's lawyers assistance program. LCL offers free, confidential help to lawyers, judges, law students and their immediate family members affected by alcohol and/or drug abuse, other addictions, depression and other mental illness, stress and other life-related problems and any condition which negatively affects the quality of one's life at work or at home. LCL provides professional and peer assistance including up to four free counseling sessions and referrals to other professional services as well as mentoring and other support. LCL also offers workshops and other programs to lawyers which qualify for continuing legal education credits. Funding has come from contributions by members and non-members in the legal profession and by grants from foundations and firms interested in this program.

LCL has an agreement with the Legal Services Advisory Committee, an instrumentality of the Minnesota Supreme Court, to establish and operate a "Lawyer Assistance Program" (LAP) to provide consultation and assessments and facilitate access to extended mental health and chemical dependency services to Minnesota lawyers and their families, and in connection therewith, to coordinate the activities of the volunteer network of LCL for peer support. This agreement has been extended through June 30, 2019 (see additional discussion in Note 3).

Financial Statement Presentation

The financial statements of LCL have been prepared on the accrual basis of accounting. LCL is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Assets accumulated and resources received and expended by LCL are either unrestricted as to use or purpose or restricted by the donor for a particular purpose. Permanently restricted net assets account for donations restricted for specific purposes whereby the restriction does not expire. Temporarily restricted net assets represent contributions to LCL whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by LCL itself does not constitute a basis for classifying them as temporarily restricted. As of June 30, 2018, LCL had not received any permanently restricted gifts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, LCL considers unrestricted currency, demand deposits, and certificates of deposit with an initial maturity of three months or less to be cash and cash equivalents.

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivables

Grants receivable are stated at net realizable value. Grants receivable are individually analyzed for collectability. No allowance for doubtful accounts has been provided as grants receivable are considered collectible based on management's estimate and past history of LCL with the grantor agency. As of June 30, 2018 and 2017, LCL had \$32,119 and \$21,682 in grant receivables, respectively.

Contributions Receivable

Contributions receivable consist of promises to give and contributions made by donors to supporting organizations for LCL but had not been received by LCL prior to June 30, 2018 and 2017. No allowance for doubtful accounts has been provided as contributions receivable are all considered collectible. As of June 30, 2018 and 2017, the contributions were receivable as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 7,599	\$ 2,750
Receivable in one to five years	-0-	2,500
	<u>\$ 7,599</u>	<u>\$ 5,250</u>

Fixed Assets

Fixed assets owned by LCL are stated at cost if purchased and at fair value if donated. LCL capitalizes all fixed assets with a cost of \$500 or more if purchased, and a fair value of \$500 or more at the date of donation if received by contribution. Additions and improvements are capitalized while maintenance and repairs are charged to expense as incurred.

Depreciation for leasehold improvements is calculated over the estimated useful life or over the remaining term of the lease, whichever is shorter.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 - 7 years
Leasehold improvements	5 years
Website development costs	3 years

Website Development Costs

Website development costs are stated at cost; purchases in excess of \$500 are capitalized. Planning stage costs are expensed as incurred. The application, infrastructure, graphics and content stages are capitalized. Costs of training and site maintenance are expensed as incurred.

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Fixed Assets

Donated fixed assets are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specified purpose or the donor stipulates how long the asset must be used. Assets donated with restrictions regarding use or length of use are reported as temporarily restricted contributions. LCL reports expiration of donor restrictions when the donated assets are used for the specified purpose or the length of use has expired. LCL reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Legal Services Advisory Committee Grants

Legal Services Advisory Committee grants are recorded as revenue when earned. Revenue is earned when the terms of the grant are met. Expenditures under this contract are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, LCL will record such disallowance at the time of the final assessment.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. LCL has chosen to report contributions that are received with donor-imposed restrictions that are met in the same reporting period as temporarily restricted contributions with an accompanying reclassification showing the satisfaction of the restriction.

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at their estimated fair values at the date of receipt. Contributed services are reported as contributions if the services would typically need to be purchased by LCL and the service provided requires specialized skills. Contributed services are reflected in the financial statements at the fair value of the services performed at the date of the service. During the years ended June 30, 2018 and 2017, LCL received contributed legal services valued at \$0 and \$1,250, respectively. LCL receives donated services from unpaid volunteers which do not meet the definition for recognition in the financial statements. These volunteers donated 2,523 and 2,158 hours of their time to LCL for the years ended June 30, 2018 and 2017 respectively.

Advertising

LCL uses advertising to promote public awareness and further its program purpose. Advertising costs are expensed when incurred. Expenses for advertising were \$1,658 and \$2,756 for the years ended June 30, 2018 and 2017, respectively, and are classified in public awareness in the accompanying statements of functional expense.

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimate of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Taxes

LCL has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and Section 290.05, subdivision 2, of Minnesota Statutes. LCL has been classified as an organization that is not a private foundation.

Management of LCL evaluates all tax positions and makes a determination regarding their likelihood of being upheld under review. Management believes that LCL is operating in a manner so as to continue to qualify as a tax-exempt organization. LCL recognizes potential interest and penalties pertaining to income tax related issues, if any, as income tax expense. During the years ended June 30, 2018 and 2017, no such interest or penalties were recognized.

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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Date of Management's Review

In preparing these financial statements, LCL has evaluated events and transactions for potential recognition or disclosure through January 23, 2019, the date the financial statements were available to be issued.

NOTE 2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Founders Memorial Fund	\$ 43,437	\$ 30,247
Video production	1,039	1,039
Technology upgrades	9,080	-0-
Time restricted	5,000	-0-
Advertising and contract services for program service expansion	8,913	8,813
	<u>\$ 67,469</u>	<u>\$ 40,099</u>

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3. MAJOR CONTRIBUTOR

A major portion of LCL's support is received from the Legal Services Advisory Committee. The loss of this funding source would have an adverse effect on LCL. During the years ended June 30, 2018 and 2017, the Legal Services Advisory Committee contributed \$479,410 and \$443,050, respectively. These contributions accounted for approximately 84% and 78% of total support and revenue for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, LCL had \$32,119 and \$21,682 receivable from the Legal Services Advisory Committee, respectively. In July 2017, LCL signed the grant agreement for the grant period July 1, 2017 through June 30, 2019.

NOTE 4. RETIREMENT PLAN

LCL established a retirement plan pursuant to section 401(k) of the Internal Revenue code effective January 1, 2006. Employees are eligible to make elective salary deferrals under the Plan and share in LCL's contributions to the Plan upon attaining age 21 and completing one year of eligibility service. LCL provides a mandatory matching contribution of 100% of the first 3% that an employee contributes to the Plan. LCL may, in its sole discretion, elect to make additional employer contributions for any plan year. Employees are fully vested in LCL's contributions to the Plan after three years of service; employees are immediately vested in their contributions to the Plan. Retirement expense was \$8,554 and \$6,253 for the years ended June 30, 2018 and 2017, respectively, and is classified in employee benefits in the accompanying statements of functional expense.

NOTE 5. LEASE OBLIGATIONS

LCL executed an operating lease for office equipment in the fiscal year ended June 30, 2014. The lease requires monthly rental payments of \$184, plus copy charges for overages. LCL's rent expense for office equipment for the years ended June 30, 2018 and 2017 was \$2,484 and \$2,433, respectively, and is included in office supplies and equipment in the accompanying financial statements.

LCL had a lease for their administrative offices through April 30, 2018. During the year ended June 30, 2018, this lease was amended and extended on a month-to-month basis. The lease requires monthly base rental payments of \$2,608 plus operating expenses, resulting in a monthly payment of \$4,754. LCL's total occupancy expense for the years ended June 30, 2018 and 2017 was \$56,400 and \$55,427, respectively.

LAWYERS CONCERNED FOR LAWYERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5. LEASE OBLIGATIONS (continued)

Minimum future rental payments, including operating expenses, under noncancelable operating leases having initial terms in excess of one year as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	<u>\$ 1,652</u>

NOTE 6. JOINT COSTS

For the year ended June 30, 2018, LCL incurred total joint costs of \$12,725 for educational materials that included fund raising appeals. Of those costs, \$4,146 was allocated to fund raising expense and \$8,579 was allocated to program expense.

For the year ended June 30, 2017, LCL incurred total joint costs of \$25,773 for educational materials and an event that included fund raising appeals. Of those costs, \$11,145 was allocated to fund raising expense and \$14,628 was allocated to program expense.