

Legal Services of North Dakota
Audit and Finance Committee Meeting
May 21, 2020 Telephone/Webinar Meeting - 9:00 a.m.

LSND Board members present: Mary Kae Kelsch, Committee Chair; Laurel Forsberg; Jim Wang.

LSND Staff present: Rich LeMay, Executive Director; Adele Page, Deputy Director; Kim Kramer, CFO.

Pat Brown from Brady, Martz & Associates was present.

Pat went through the financial statements and pointed out the following areas:

- Page 1-3 is the Independent Auditors Report
- Page 4 – Statement of Financial Position (Balance Sheet)
 - Under Assets - Cash and Cash equivalents = \$569,194 and about \$542,523 in Grants Receivables
 - \$1.1 million in assets – most assets from cash and grants receivables
 - Current liabilities are comparable from year 2018 except for accounts payable is more due to end of year payments.
 - Wording under Net assets – in prior years the wording was Unrestricted and Temporarily restricted. The new wording is Without donor restrictions for unrestricted and With donor restrictions for temporarily restricted which are the various grants that total \$1.0 million.
 - Net assets are less than prior year of about \$284,000 due to use of grant funds awarded in previous years.
- Page 5 – Statement of Activities (Income Statement)
 - Under support and revenue there was \$2.0 million net assets released from restriction and used for a specific purpose.
 - Total support and revenue for 2019 was \$1.7 million which was an increase from 2018.
 - Total expenses decreased from year 2018 and the various programs expenses are listed.
 - Change in net assets is a negative \$284,235, which is about \$54,000 less than last year, and due to using funds such as BOA, Bush Prize and Bush MLP awarded in prior years.
- Page 6 – Statement of Functional Expenses
 - Pat pointed out on this statement that about 80% of the expenses for the various LSND programs were in salaries and employee benefits. He stated that this shows that how dependent on personnel the agency is.
 - The statement shows the amounts of expenses for each program under LSND which were about \$8,900 less in 2019 compared to 2018.
- Page 7 – Statement of Cash Flows
 - This statement shows the change in net assets with a total decrease in net assets of \$13,071.
- Pages 8-11 are standard notes to the financial statements

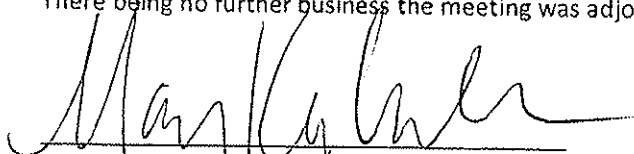
- Page 12 – Note 3 – Private Attorney Involvement (PAI)
 - Pat discussed that in 2018 LSND didn't spend the required 12.5% in PAI and that we received a waiver from LSC to reduce the amount. This note shows that the reduced amount requirement was spend in 2018. In 2019, LSND met the requirement of spending 12.5 % of LSC Base funding.
- Page 12 – Note 4 – Limitation of Federal Carryover Funds
 - Pat discussed the LSC limits the carryover to 10% of the annual grant award, and for 2019 LSND has a 5.80% carryover for year ending December 31, 2019.
- Pat skipped to page 15 to discuss the Note 13 - Liquidity and Availability
 - This is a new note and requirement from year 2018 and basically shows the amount of money that is restricted by grantors and that there is \$118,709 available for non-grant expenditures.
- Page 17 – Subsequent Events
 - New note required to address COVID-19 global pandemic and changes and restriction to business operations. The Paycheck Protection Program Loan and LSC COVID-19 funding will be addressed in this note.
- Pages 18-24 – Schedule of Functional Activities of Net Assets
 - Shows revenue, expenses, and end of year balance for each funding source
- Page 25 & 26– Independent Auditors Report on Internal Controls on Financials
 - Auditors did not identify deficiencies in internal controls that they considered to be material weaknesses.
 - There were no issues of noncompliance.
- Page 27 & 28– Independent Auditor's Report on Program Compliance
 - Auditors tested the LSC grant
 - There are 124 separate compliance requirements under LSC
 - Opinion on page 28 in in regards to the LSC program and no deficiencies or issues were found.
- Page 29 & 30– Schedule of Finding and Questioned Costs
 - There were no material weaknesses or deficiencies to disclose – a clean audit.
- Pat discussed how he interviews certain staff members each year to question them on LSC regulations, about fraud and fraud awareness. He stated that there was nothing that was brought to his attention and there were no compliance issues.
- Pat stated that he will be retiring September 30, 2020. He has been training Nicole Heldstab from the Grand Forks office for LSND future audits. Rich and the Committee members wished him well after serving as LSND's auditor for many years.

Purpose of this meeting was for the LSND Audit and Finance Committee to receive the audit report from the independent auditors and then report back to the rest of the board at the next meeting for final approval of the audit.

Kim presented the 2020 Amended Budget to the committee to review the many changes in revenue and expenses that have taken place since December due to the COVID -19 pandemic. Overall, the amended budget is estimated at almost a \$35,000 net profit.

The discussion led into the Paycheck Protection Program (PPP) loan that LSND applied for in April. Discussion took place on the estimated amount that would be forgiven; the estimated balance remaining; and the loan allowances and restrictions. The change in the work environment for all employees, with many LSND employees working from home, was discussed. Rich and the Committee made the decision that a \$500 amount would be paid to each LSND employee due to telework expenses and work hazards related to the COVID-19 pandemic on the first payroll in June.

There being no further business the meeting was adjourned at 10:10 a.m.



Mary Kae Kelsch, Secretary/Treasurer