

Gulfcoast Legal Services, Inc.

Financial Statements

September 30, 2018

and

**Reports of Independent
Certified Public Accountants**



**GULFCOAST LEGAL SERVICES, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gulfcoast Legal Services, Inc.
St. Petersburg, FL

We have audited the accompanying financial statements of Gulfcoast Legal Services, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of September 30, 2018, the related statements of activities, functional expenses, and cash flows for the nine months 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 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.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulfcoast Legal Services, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the nine months then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 February 8, 2019, 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 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.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Functional Expenses - Department of Elder Affairs Required Format is presented for 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.

PDR CPAs + Advisors

Oldsmar, Florida
February 8, 2019

**GULFCOAST LEGAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018**

ASSETS

Current assets

| | |
|-----------------------------|------------------|
| Cash and cash equivalents | \$ 547,972 |
| Grants receivable | 259,869 |
| Other receivables | 3,735 |
| Prepays and other | 73,609 |
| Restricted cash | 149,200 |
| Client escrow funds | 173 |
| Total current assets | <u>1,034,558</u> |

Other assets

| | |
|-----------------------------|---------------|
| Property and equipment, net | 69,088 |
| Security deposit | 1,445 |
| Total other assets | <u>70,533</u> |

Total Assets \$ 1,105,091

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|----------------------------------|----------------|
| Accounts payable | \$ 23,340 |
| Client trust deposits | 173 |
| Accrued liabilities | 150,634 |
| Deferred revenue | 102,483 |
| Total current liabilities | <u>276,630</u> |

Net assets

| | |
|---|----------------|
| Without donor restrictions | |
| Designated by the Board of Directors: operational reserve | 300,332 |
| Undesignated | 502,985 |
| | <u>803,317</u> |

| | |
|-------------------------|----------------|
| With donor restrictions | 25,144 |
| Total net assets | <u>828,461</u> |

Total Liabilities and Net Assets \$ 1,105,091

See accompanying notes to financial statements

GULFCOAST LEGAL SERVICES, INC.
STATEMENT OF ACTIVITIES
NINE MONTHS ENDED SEPTEMBER 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | TOTAL |
|---|---------------------------------------|------------------------------------|--------------|
| Operating Support and Revenue | | | |
| Grants and contracts | \$ 1,771,310 | \$ - | \$ 1,771,310 |
| Contributions | 66,167 | - | 66,167 |
| In-kind revenue | 172,971 | - | 172,971 |
| Article V | 364,189 | - | 364,189 |
| Other | 64,017 | - | 64,017 |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions | 5,123 | (5,123) | - |
| | 2,443,777 | (5,123) | 2,438,654 |
| Total operating support and revenue | | | |
| Operating Expenses | | | |
| Program services | 1,757,344 | - | 1,757,344 |
| General and administrative | 405,685 | - | 405,685 |
| Fundraising | 19,977 | - | 19,977 |
| | 2,183,006 | - | 2,183,006 |
| Total operating expenses | | | |
| Change in Net Assets from Operations | 260,771 | (5,123) | 255,648 |
| Nonoperating activities | | | |
| Interest income | 170 | - | 170 |
| | 170 | - | 170 |
| Change in Net Assets | 260,941 | (5,123) | 255,818 |
| Net Assets at Beginning of Year | 542,376 | 30,267 | 572,643 |
| Net Assets End of Year | \$ 803,317 | \$ 25,144 | \$ 828,461 |

See accompanying notes to financial statements

**GULFCOAST LEGAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
NINE MONTHS ENDED SEPTEMBER 30, 2018**

| | Program Services | Supporting Services | | Total |
|----------------------------------|---------------------|-------------------------------|------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Personnel expenses | | | | |
| Lawyers' salaries | \$ 567,130 | \$ 17,411 | \$ 8 | \$ 584,549 |
| Paralegal salaries | 218,704 | 5,998 | - | 224,702 |
| Other salaries | 133,397 | 168,019 | 38 | 301,454 |
| Employee benefits | 248,580 | 41,421 | 2 | 290,003 |
| Total personnel costs | 1,167,811 | 232,849 | 48 | 1,400,708 |
| Other expenses | | | | |
| In-kind expense | 145,723 | 27,246 | 2 | 172,971 |
| Space and occupancy | 117,984 | 28,687 | 4 | 146,675 |
| Repairs and maintenance | 62,736 | 14,601 | 1,754 | 79,091 |
| Grants and allocations | 84,176 | - | - | 84,176 |
| Accounting, audit and legal | 3,552 | 67,267 | - | 70,819 |
| Travel, training and conferences | 36,808 | 7,144 | 1,208 | 45,160 |
| Telephone | 19,130 | 12,152 | - | 31,282 |
| Insurance | 29,849 | 1,404 | - | 31,253 |
| Advertising | 20,623 | 563 | 6,112 | 27,298 |
| Depreciation | 21,247 | 4,500 | 1 | 25,748 |
| Postage and printing | 13,772 | 1,651 | 8,473 | 23,896 |
| Office supplies | 10,125 | 2,022 | 26 | 12,173 |
| Contract services to program | 8,030 | 2,343 | - | 10,373 |
| Dues and fees | 8,351 | 968 | 156 | 9,475 |
| Other | 3,110 | 684 | 1,357 | 5,151 |
| Client litigation | 4,317 | 13 | - | 4,330 |
| Bank charges | - | 1,591 | 836 | 2,427 |
| Total other expenses | 589,533 | 172,836 | 19,929 | 782,298 |
| Total functional expenses | \$ 1,757,344 | \$ 405,685 | \$ 19,977 | \$ 2,183,006 |

See accompanying notes to financial statements

GULFCOAST LEGAL SERVICES, INC.
STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2018

| | |
|--|--------------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 255,818 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 25,748 |
| (Increase) Decrease in: | |
| Grants receivable | (14,168) |
| Other accounts receivable | 19,989 |
| Prepays and other | (42,677) |
| (Decrease) Increase in: | |
| Accounts payable | (2,095) |
| Accrued liabilities | 62,839 |
| Deferred revenue | <u>80,911</u> |
| Net cash provided by operating activities | 386,365 |
| Cash Flows from Investing Activities: | |
| Acquisition of property and equipment | (33,977) |
| Return of security deposit | <u>1,923</u> |
| Net cash used in investing activities | <u>(32,054)</u> |
| Net Increase in Cash and Cash Equivalents | 354,311 |
| Cash and Cash Equivalents and Restricted Cash at Beginning of Year (including restricted cash of \$398 at December 31, 2017) | <u>342,861</u> |
| Cash and Cash Equivalents and Restricted Cash at End of Year (including restricted cash of \$149,200 at September 30, 2018) | <u><u>\$ 697,172</u></u> |

See accompanying notes to financial statements

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - NATURE OF ORGANIZATION

Gulfcoast Legal Services, Inc. (the Organization) is a tax exempt, Florida not-for-profit corporation organized for the purpose of providing high quality legal assistance in civil matters to vulnerable individuals, families, and communities financially eligible in Pinellas, Sarasota, Hillsborough, Pasco, and Manatee Counties, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing legal assistance services. Nonoperating activities are limited to resources that generate return from investments and cash and other activities considered to be more unusual or nonrecurring in nature.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of receivables, determination of the useful lives of the property and equipment, and allocation of functional expenses.

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions. The Organization considers all highly liquid assets with an initial maturity of three months or less as cash and cash equivalents.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the nine months ended September 30, 2018, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

Restricted Cash

Restricted cash consists of monies received in advance from a funder that is restricted for use only on the underlying grant activities.

Grants Receivable

Grants receivable represent amounts due from various federal, state, and local agencies for purposes specified by each grant. Management monitors the collection status of its receivable balance on an ongoing basis.

The carrying amount of grants receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. Each balance is individually reviewed as deemed necessary. Based on management's assessment an estimate is made of the portion, if any, of the balance that will not be collected. Receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless. Management considers all receivables to be collectible. As such, an allowance for doubtful accounts is not recorded in the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost, if purchased or at estimated fair value at the date of receipt, if acquired by gift. Expenditures in excess of \$1,000 with an estimated useful life in excess of one year are capitalized. Depreciation is calculated using the straight-line method over the useful lives of the respective assets ranging from 3 to 10 years for furniture and equipment, and 5 years for leasehold improvements (based on estimated term of lease).

Accrued Liabilities

Accrued liabilities consist of accruals for payroll and related expenses.

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services

Amounts representing the estimated value of significant donated legal services are included as support and expenses in the financial statements. These hours are influenced by the complexity of the individual cases and the experience of the attorney, and therefore could fluctuate from year to year. The total hourly rate was estimated by the local bar association to be \$200 for the period presented. Total contributed services included in revenues and expenses for the nine months ended September 30, 2018 were \$112,411.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of the donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Federal, state, and local government and other public grants that are indicative of exchange transactions are recognized as support when performance occurs pursuant to the contract agreement. Revenue under these contracts is deferred until earned. Certain grants which have attributes more consistent with contributions than exchange transactions are accounted for consistent with contributions. Amounts received for services not yet provided are included in deferred revenue in the accompanying statement of financial position.

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are charged to program or supporting service based on specific identification when possible. The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|-------------------------|-------------------------------------|
| Personnel expenses | Time and effort |
| Office expenses | Ratio of employee time per function |
| Operating insurance | Ratio of employee time per function |
| Other | Ratio of employee time per function |
| Repairs and maintenance | Ratio of employee time per function |
| Space and occupancy | Ratio of employee time per function |
| Accounting and audit | Ratio of employee time per function |

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, it has been determined by the Internal Revenue Service that the Organization is not a private foundation under Section 509(a) of the Code. Accordingly, no provision for income taxes has been recorded.

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions.

The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

Impairment of Long-Lived Assets

Management reviews all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to a real property appraisal. If the carrying amount of an asset exceeds its appraisal value, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising Costs

Advertising costs are expensed as incurred and were \$27,298 for the nine months ended September 30, 2018.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30:

| | <u>2018</u> |
|--|-------------------|
| Financial Assets: | |
| Cash and cash equivalents | \$ 547,972 |
| Restricted cash | 149,200 |
| Grants receivable | 259,869 |
| Other receivables | <u>3,735</u> |
| Total financial assets | 960,776 |
| Less Amounts Not Available to be Used Within One Year: | |
| Net assets with donor restrictions: | 25,144 |
| Less net assets with donor restrictions to be met in less than a year | <u>(6,000)</u> |
| | <u>19,144</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 941,632</u> |

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The restricted cash noted above is available to meet operating expenses over the next twelve months; however, the amounts are limited to use within a specific program. As part of its liquidity plan, excess cash is invested in a separate money market account. The Board of Directors has designated these net assets; the amounts are presented as a separate component of net assets without donor restrictions in the statement of financial position.

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

| | <u>2018</u> |
|-------------------------------|------------------|
| Furniture and fixtures | \$ 6,821 |
| Office equipment | 502 |
| Leasehold improvements | 74,071 |
| Computer equipment | <u>80,220</u> |
| | 161,614 |
| Less accumulated depreciation | <u>(92,526)</u> |
| | <u>\$ 69,088</u> |

NOTE E - NET ASSETS

Net assets with donor restrictions were as follows the nine months ended September 30:

| | <u>2018</u> |
|---|-------------|
| Specific Purpose: | |
| Enforcement and Education Regarding Fair Housing Act in Fort Myers, FL | \$ 25,144 |

Net assets released from net assets with donor restrictions are as follows for the nine months ended September 30:

| | <u>2018</u> |
|---|-------------|
| Satisfaction of Purpose Restrictions | |
| Enforcement and Education Regarding Fair Housing Act in Fort Myers, FL | \$ 5,123 |

NOTE F - CONCENTRATIONS

Federal, state, county, city, and other agencies award funds to the Organization for special purposes. During the period presented, 55% of revenues were received from three funders.

At September 30, 2018, 71% of the grants receivable balance was due from four funders.

GULF COAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE G - OPERATING LEASES

The Organization leases office space and office equipment under one long-term and various month-to-month operating leases. At September 30, 2018, the future minimum rental commitments under non-cancellable operating leases are as follows:

| <u>Years ending September 30,</u> | <u>Amount</u> |
|---------------------------------------|-------------------|
| 2019 | 110,387 |
| 2020 | <u>34,740</u> |
| | <u>\$ 171,182</u> |

The Organization's corporate office space is leased from Pinellas County. The lease expires in August 2019; thereafter, the lease may be renewed for one year upon written request from the Organization and approval of Pinellas County. The total rental expense for the nine months ended September 30, 2018 was approximately \$115,000. In-kind rental expense for various spaces for the nine months ended September 30, 2018 was approximately \$60,600 and was included in in-kind expense in the schedule of functional expenses.

NOTE H - EMPLOYEE BENEFIT PLAN

The Organization maintained a 403(b) (SEP/IRA) Tax Exempt Employer Contribution Retirement Plan (Original Plan) which was amended effective December 1, 2015 to a 403(b) Thrift Plan (Amended Plan). The Original Plan covered all permanent employees after one year of employment. The annual employer contribution was discretionarily determined by the Board of Directors. No amounts were contributed during the period presented.

The Amended plan covers substantially all permanent employees. The annual employer contribution is discretionarily determined by the Board of Directors. The contribution for the nine months ended September 30, 2018 was \$5,000. Participants of the Original Plan are immediately vested in discretionary employer contributions. Other participants are 50% and 100% vested after one year and two years of service, respectively. Employee contributions are allowed under the Amended Plan.

NOTE I - NON-FEDERAL MATCH CERTAIN CONTRACTS

Several grant agreements require a match of the federal funds received in the form of cash and/or in-kind resources. For the period presented, the Organization was in compliance with these matching requirements.

**GULFCOAST LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE J - CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

The Organization signed a collective bargaining agreement (CBA) with the National Organization of Legal Service Workers. The agreement period was from April 1, 2014 through March 31, 2017 with a one-year extension through March 31, 2018. The CBA was then temporarily extended and a new agreement put in place that is effective June 1, 2018 through May 31, 2021. The CBA covers all full-time and regular part-time staff attorneys and supervising attorneys, law graduates, paralegals, legal secretaries and other support staff (representing approximately 71% of the Organization's employees). The Organization's other employees are not represented by a union.

NOTE K - CONTINGENCIES

During 2015, certain grants were audited by the United States Department of Justice Office of the Inspector General Audit Division (IG). Total award amounts subject to the audit were approximately \$1,418,000 with award periods covering October 1, 2012 through February 28, 2016. The results of the audit are now completed; however, a final report has not been issued by the IG. Management does not believe any adjustments to the financial statements related to the findings are necessary at September 30, 2018.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 8, 2019, the date the financial statements were available and issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

OTHER INFORMATION

GULF COAST LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
NINE MONTHS ENDED SEPTEMBER 30, 2018

| <u>Federal Agency</u> <u>Pass-Through Entity</u> <u>Federal Program</u> | <u>CFDA</u> <u>Number</u> | <u>Contract/</u> <u>Pass-Through Entity</u> <u>Identifying Number</u> | <u>Expenditures</u> |
|---|------------------------------|---|---------------------|
| FEDERAL AWARDS: | | | |
| Department of Housing and Urban Development | | | |
| <u>Passed through Pinellas County Fair Housing</u> | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | CD17GCLS | \$ 23,113 |
| <u>Passed through Manatee County</u> | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | R-17-084 | 17,296 |
| <u>Passed through City of Largo</u> | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 2186 | 17,181 |
| <u>Passed through City of Clearwater</u> | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | GM 16-1510-203/192020/1 | 14,383 |
| <u>Passed through City of Bradenton</u> | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | IDIS #624 | 16,700 |
| | | | <u>88,673</u> |
| Department of Justice | | | |
| <u>Passed through Pinellas County</u> | | | |
| Services for Trafficking Victims | 16.320 | 2015-VT-BX-K020 | 119,601 |
| <u>Passed through Florida Department of Legal Affairs, Office of the Attorney General</u> | | | |
| Crime Victim Assistance | 16.575 | VOCA-2017-Gulfoast Legal Services-00610 | 387,110 |
| Crime Victim Assistance | 16.575 | VOCA-2017-Gulfoast Legal Services-00328 | 345,340 |
| | | | <u>732,450</u> |
| <u>Passed through Florida Coalition Against Domestic Violence</u> | | | |
| Violence Against Women Formula Grants | 16.588 | 18-2057-Legal | 8,857 |
| | 16.588 | 19-2057-LCH | 7,200 |
| | 16.588 | 18-2057-LCH | 23,161 |
| | 16.588 | 19-2057-LS | 12,014 |
| | | | <u>51,232</u> |
| | | | 903,283 |
| Department of the Treasury | | | |
| Low Income Taxpayer Clinics | 21.008 | 18-LITCO349-01-01 | 67,343 |
| Department of Health and Human Services | | | |
| <u>Passed through Area Agency on Aging of Pasco-Pinellas, Inc.</u> | | | |
| Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | EL017-GULF COAST LEGAL-2018 | 58,174 |
| <u>Passed through Florida Rural Legal Service, Inc.</u> | | | |
| Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | n/a | 31,616 |
| <u>Passed through Senior Connection Center, Inc.</u> | | | |
| Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | OAA-2018-GLS | 69,946 |
| | | | <u>159,736</u> |
| <u>Passed through Area Agency on Aging of Pasco-Pinellas, Inc.</u> | | | |
| National Family Caregiver Support, Title III, Part E | 93.052 | EL017-GULF COAST LEGAL-2018 | 25,848 |
| <u>Passed through Senior Connection Center, Inc.</u> | | | |
| National Family Caregiver Support, Title III, Part E | 93.052 | OAA-2018-GLS | 37,064 |
| | | | <u>62,912</u> |
| | | | 222,648 |
| Department of Homeland Security: | | | |
| <u>Passed through United Methodist Cooperative Ministries</u> | | | |
| Citizenship Education and Training | 97.010 | DHS-17-CIS-010-002 | 15,387 |
| Total expenditures of federal awards | | | <u>\$ 1,297,334</u> |

See notes to the schedule of expenditures of federal awards

GULFCOAST LEGAL SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
NINE MONTHS ENDED SEPTEMBER 30, 2018

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Gulfcoast Legal Services, Inc. under programs of the federal government for the nine months ended September 30, 2018. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Gulfcoast Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Gulfcoast Legal Services, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CONTINGENCIES

Expenditures incurred by the Organization are subject to audit and possible disallowance by the grantor agency. Management believes that if audited, any adjustments for disallowed expenses would be immaterial in amount.

See independent auditor's report



**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Gulfcoast Legal Services, Inc.

We have audited, in accordance with the 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 Gulfcoast Legal Services, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, cash flows, and functional expenses for the nine months then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2019.

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) to determine the 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 Organization'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.

CONTINUED

**INDEPENDENT AUDITOR'S 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 - CONTINUED**

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 determination of financial statement amounts. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDR CPAs + Advisors

Oldsmar, Florida
February 8, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Gulfcoast Legal Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Gulfcoast Legal Services, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the nine months ended September 30, 2018. 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 the requirements of laws, regulations, contracts, and grants 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). Those standards and the Uniform Guidance 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 nine months ended September 30, 2018.

CONTINUED

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

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 each 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, 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 weakness 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.

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. Accordingly, this report is not suitable for any other purpose.

PDR CPAs + Advisors

Oldsmar, Florida
February 8, 2019

**GULFCOAST LEGAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards Section

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Type of auditor's report on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR part 200.516(a) of the Uniform Guidance? yes no

Identification of major federal programs:

Federal Programs:

| CFDA Numbers | Name of Federal Program |
|--------------|-------------------------|
| 16.575 | Crime Victim Assistance |

Dollar threshold used to distinguish between type A and type B Federal programs \$ 750,000

Auditee qualified as low-risk auditee for federal purposes? yes no

**GULFCOAST LEGAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no reportable findings.

Part III - Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weakness, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

There were no reportable findings.

Summary Schedule of Prior Audit Findings

Finding: 2014-001 & 2014-001C Inadequate Controls Over Reporting Under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Status: Corrective action was taken.

Finding: 2014-002 & 2014-002C Inadequate Controls Over Allocation and Classification of Payroll Costs

Status: Corrective action was taken.

SUPPLEMENTARY INFORMATION

GULFCOAST LEGAL SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES – DEPARTMENT OF
ELDER AFFAIRS
NINE MONTHS ENDED SEPTEMBER 30, 2018

| <u>Expenses</u> | <u>Legal Services</u> | <u>Fundraising</u> | <u>Management & General</u> | <u>Total Supporting Services</u> | <u>Total</u> |
|--|-----------------------|--------------------|---------------------------------|----------------------------------|---------------------|
| Salaries | \$ 919,231 | \$ 46 | \$ 191,428 | \$ 191,474 | \$ 1,110,705 |
| Payroll taxes and benefits | 248,580 | 2 | 41,421 | 41,423 | 290,003 |
| Travel | 36,808 | 1,208 | 7,144 | 8,352 | 45,160 |
| Communication/postage | 32,902 | 8,473 | 13,803 | 22,276 | 55,178 |
| Utilities* | 117,984 | 4 | 28,687 | 28,691 | 146,675 |
| Insurance | 29,849 | - | 1,404 | 1,404 | 31,253 |
| Maintenance and repair | 62,736 | 1,754 | 14,601 | 16,355 | 79,091 |
| Printing/supplies | 10,125 | 26 | 2,022 | 2,048 | 12,173 |
| Professional fees/legal/audit | 11,582 | - | 69,610 | 69,610 | 81,192 |
| Subcontractors | 84,176 | - | - | - | 84,176 |
| Depreciation | 21,247 | 1 | 4,500 | 4,501 | 25,748 |
| Other ** | 182,124 | 8,463 | 31,065 | 39,528 | 221,652 |
| Total expenses | <u>1,757,344</u> | <u>19,977</u> | <u>405,685</u> | <u>425,662</u> | <u>2,183,006</u> |
| Allocation of management and general | <u>401,036</u> | <u>4,649</u> | <u>(405,685)</u> | <u>(401,036)</u> | <u>-</u> |
| Total expenses after allocation | <u>\$ 2,158,380</u> | <u>\$ 24,626</u> | <u>\$ -</u> | <u>\$ 24,626</u> | <u>\$ 2,183,006</u> |
| Total units (hours) | <u>23,498</u> | N/A | N/A | N/A | N/A |
| Recalculated total unit cost (per case hour) | <u>\$ 92</u> | | | | |

* Includes rental expense of \$83,173, equipment lease of \$31,450, minor equipment of \$31,877, parking of \$20 and electricity of \$155.

** Includes in-kind expenses of \$172,971, litigation expenses of \$4,330, bank fees of \$2,427, dues and fees of \$9,475, advertising of \$27,298, and other expenses of \$5,151.

See independent auditor's report