

Legal Services of North Dakota
Audit and Finance Committee Meeting
April 19, 2021 - Webinar Meeting - 1:00 p.m.

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

LSND Staff present: Rich LeMay, Executive Director; Gale Coleman, CI Coordinator; Kim Kramer, CFO.

Nicole Heldstab from Brady, Martz & Associates was present and presented draft audit through webinar.

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

- Page 1-3 is the Independent Auditors Report and opinion on financial reporting and compliance. The report is presented compared to the previous year audited.
- Page 4 – Statement of Financial Position (Balance Sheet)
 - Under Assets - Cash and Cash equivalents increased partly due to PPP Loan.
 - \$1.372 million in assets – most assets from cash and grants receivables. Grant Receivables have decreased, mainly to the BOA Grant as the revenue was recognized when received.
 - Property and Equipment – The old phone system and other assets that were fully depreciated were removed from depreciation list.
 - Current liabilities – Accounts payables were less than 2019 due to timing of bills and the new phone system. Also will see that the PPL Loan (Notes Payable) here as it was recorded as a debt. Also will see Deferred Revenue reported as a liability and this change is due to a memo from LSC requiring this change in presentation. LSC requires the funds to be recorded as a contribution, not an exchange as they have in the past.
 - 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 the total of \$781,950.
 - Net assets are less than prior year of about \$247,000 due to use of grant funds awarded in previous years.
- Page 5 – Statement of Activities (Income Statement)
 - Under support and revenue there was almost \$1.50 million net assets released from restriction and used for a specific purpose.
 - Total support and revenue was comparable to year 2019.
 - Total expenses were also comparable to year 2019.
 - Change in net assets is a negative \$47,378, which is about \$59,000 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
 - Nicole pointed out on this statement that about 80% of the expenses for the various LSND programs were in salaries and employee benefits. She stated that this shows that LSND is spending funds for our mission – serving out our cause.

- The statement shows the amounts of expenses for each program under LSND which in total were about \$18,654 more in 2020 compared to 2019.
- Page 7 – Statement of Cash Flows
 - Nicole stated that the biggest change in this statement is the presentation of Deferred Revenue and PPP Loan debt.
- Pages 8-11 are standard notes to the financial statements and the following was discussed regarding new notes and changes:
- Page 8 – Note 1 – Revenue and Revenue Recognition
 - Nicole discussed that this note is due to the LSC memo that requires the Accounting Standards where LSC funds are to be recorded as contribution, not as an exchange as they have been reported previously.
- Page 11 – Note 2 - Property and Equipment
 - This is also a new requirement of LSC to record what furniture and equipment in total were purchased with LSC vs Non-LSC funds.
- Page 11 – Note 4 – Private Attorney Involvement (PAI)
 - Nicole discussed that there were clerical errors made, which affected the 12.5% requirement. The clerical errors made were with within payroll, where more was allocated to PAI than should have been. After reviewing the options, the decision not to back out the errors was made. More could have been allocated to PAI but the amount made in error was close to the same and the difference was not material. Waivers are required if PAI requirement will not be meant by the end of the audited year, but in this case it was not known. Rich and Kim had both heard that LSC expecting to grant waivers regarding PAI due to the 2020 Covid19 pandemic.
- Page 12 – Note 5 – Limitation of Federal Carryover Funds
 - Nicole discussed that LSC limits the carryover to 10% of the annual grant award, and for 2020 LSND has a 22.38%% carryover for year ending December 31, 2020. The percentage can be increased to 25% if a waiver is requested within 30 days of April 30th. Rich had received notice from LSC that there will be blanket carryover approval for year 2020.
- Page 14 – Note 11 – Notes Payable
 - Nicole discussed the PPP loan of \$291,100 and said it was hard for Kim to come up with enough salary, fringe, and overhead for forgiveness of the loan and that she is still working on it. The challenge is that LSND was basically covered by grants for 2020, so it is hard to come up with funds to submit as it is important not to double dip and charge PPP and another grantor for the same charges. The loan is at a low interest rate of 1% so the majority of will have to be paid back.
- Note 18 – Subsequent Events
 - There were none to report this year.
- Pages 17-20 – Schedule of Functional Activities of Net Assets
 - Shows revenue, expenses, and end of year balance for each funding source. The first three pages are restricted funds, and page 20 is unrestricted funds.

- Page 21 – Summary of Funding Schedule
 - This report lists all the funding sources received or recognized in 2020.
- Page 22 – Schedule of Expenditures of Federal Awards
 - This report shows all the federal grant expenditures.
- Page 24 & 25– Independent Auditors Report on Internal Controls on Financials
 - This report discusses the testing of internal controls and compliance of the financials and the result of these tests.
 - There were no issues of noncompliance.
- Page 26 & 28– Independent Auditor’s Report on Program Compliance
 - Auditors tested the internal controls and compliance for the LSC grant and found material and significant weaknesses.
- Page 29 & 30– Schedule of Finding and Questioned Costs
 - Summary of auditor’s results were that there were material weaknesses in the financial statements and material and significant weaknesses in the federal awards pertaining to LSC requirements.
 - Material weaknesses were found in 2020 in the financial statements, and this was basically because auditors had to make the Deferred Revenue entry.
 - Federal award findings three regarding testing of LSC 125% guidelines and eligibility, and not meeting PAI 12.5% requirement due to errors.
- Nicole stated that the findings didn’t involve a large amount of money, nor are they considered abnormal. But they bring awareness of areas that internal controls need to be improved upon.

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.

There being no further business the meeting was adjourned at 1:55 p.m.

Mary Kae Kelsch, Secretary/Treasurer