

LEGAL ASSISTANCE CENTER
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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Certified Public Accountants and Consultants

June 13, 2011

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Legal Assistance Center
Grand Rapids, Michigan

We have reviewed the accompanying statements of financial position of Legal Assistance Center (a not-for-profit corporation) as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Monroe, Sweeris & Tromp

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**LEGAL ASSISTANCE CENTER
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 56,670	\$ 48,390
Pledges receivable (Notes 2 and 3)	36,671	32,104
Prepaid expenses	-	1,908
Investments (Note 4)	621,703	590,897
	<u>715,044</u>	<u>673,299</u>
TOTAL CURRENT ASSETS		
	<u>715,044</u>	<u>673,299</u>
PROPERTY AND EQUIPMENT (NOTE 5):		
Property and equipment	92,887	92,887
Less accumulated depreciation	55,332	44,796
	<u>37,555</u>	<u>48,091</u>
NET PROPERTY AND EQUIPMENT		
	<u>37,555</u>	<u>48,091</u>
OTHER ASSETS:		
Pledges receivable - long-term (Note 3)	4,000	26,668
	<u>4,000</u>	<u>26,668</u>
	<u>\$ 756,599</u>	<u>\$ 748,058</u>

See accompanying independent accountant's review report and notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES:		
Accrued expenses and withholding	<u>\$ 1,940</u>	<u>\$ 8,570</u>
COMMITMENTS AND CONTINGENCIES (NOTES 9)		
NET ASSETS:		
Unrestricted	713,988	680,716
Temporarily restricted (Note 6)	<u>40,671</u>	<u>58,772</u>
TOTAL NET ASSETS	<u>754,659</u>	<u>739,488</u>
	<u><u>\$ 756,599</u></u>	<u><u>\$ 748,058</u></u>

**LEGAL ASSISTANCE CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Total
CHANGE IN NET ASSETS: SUPPORT AND REVENUE			
Contributions	\$ 256,352	\$ 6,835	\$ 263,187
Other income (Note 11)	115,818	-	115,818
TOTAL SUPPORT AND REVENUE	<u>372,170</u>	<u>6,835</u>	<u>379,005</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restriction requirements (Note 2)	24,936	(24,936)	-
EXPENSES:			
Program services	288,672	-	288,672
Supporting services:			
General and administrative	59,967	-	59,967
Fundraising	15,195	-	15,195
TOTAL EXPENSES	<u>363,834</u>	<u>-</u>	<u>363,834</u>
CHANGE IN NET ASSETS	33,272	(18,101)	15,171
NET ASSETS, beginning of year	<u>680,716</u>	<u>58,772</u>	<u>739,488</u>
NET ASSETS, end of year	<u>\$ 713,988</u>	<u>\$ 40,671</u>	<u>\$ 754,659</u>

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS: SUPPORT AND REVENUE			
Contributions	\$ 295,698	\$ 2,330	\$ 298,028
Other income (Note 11)	141,968	-	141,968
TOTAL SUPPORT AND REVENUE	<u>437,666</u>	<u>2,330</u>	<u>439,996</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restriction requirements (Note 2)	<u>33,638</u>	<u>(33,638)</u>	<u>-</u>
EXPENSES:			
Program services	316,537	-	316,537
Supporting services:			
General and administrative	66,419	-	66,419
Fundraising	14,441	-	14,441
TOTAL EXPENSES	<u>397,397</u>	<u>-</u>	<u>397,397</u>
CHANGE IN NET ASSETS	73,907	(31,308)	42,599
NET ASSETS, beginning of year	<u>606,809</u>	<u>90,080</u>	<u>696,889</u>
NET ASSETS, end of year	<u>\$ 680,716</u>	<u>\$ 58,772</u>	<u>\$ 739,488</u>

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010**

	Program Services	General and Adminis- trative	Fund- raising	Total
Contributed services	\$ 121,064	\$ 3,573	\$ -	\$ 124,637
Management fee	41,813	26,122	10,447	78,382
Salaries and wages	48,537	10,781	1,114	60,432
Rent expense	41,850	2,700	450	45,000
Payroll taxes	6,420	2,660	92	9,172
Equipment maintenance	5,596	498	124	6,218
Investment fees	-	5,687	-	5,687
Accounting	262	3,974	4	4,240
Depreciation - computers	2,881	1,194	41	4,116
Depreciation - F & F	3,337	297	74	3,708
Office supplies	2,971	264	66	3,301
Parking fees	3,162	-	-	3,162
Retirement	2,134	884	30	3,048
Marketing	-	-	2,517	2,517
Depreciation - office build-out	2,441	217	54	2,712
Computer maintenance	1,232	510	18	1,760
Personnel training	1,524	-	-	1,524
Telephone	1,365	121	30	1,516

Statement of functional expenses continued on next page.

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Program Services	General and Adminis- trative	Fund- raising	Total
General insurance	\$ 1,306	\$ 116	\$ 29	\$ 1,451
Postage	-	325	-	325
Public education	100	-	-	100
Miscellaneous	677	44	105	826
TOTAL FUNCTIONAL EXPENSES	\$ 288,672	\$ 59,967	\$ 15,195	\$ 363,834

See accompanying independent accountant's review report and notes to financial statements.

LEGAL ASSISTANCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services	General and Adminis- trative	Fund- raising	Total
Contributed services	\$ 151,070	\$ 3,573	\$ -	\$ 154,643
Management fee	63,451	32,652	11,193	107,296
Salaries and wages	28,514	11,829	893	41,236
Rent expense	27,000	2,400	600	30,000
Payroll taxes	4,687	1,941	67	6,695
Equipment maintenance	5,814	517	129	6,460
Statistics	5,591	-	-	5,591
General insurance	4,992	444	111	5,547
Accounting	245	5,013	-	5,258
Office supplies	4,275	380	95	4,750
Depreciation - F & F	4,126	367	91	4,584
Investment fees	-	4,446	-	4,446
Depreciation - computers	2,499	1,035	36	3,570
Parking fees	3,369	-	-	3,369
Retirement	2,164	897	31	3,092
Depreciation - office build-out	2,441	217	54	2,712
Volunteer services	2,340	-	-	2,340
Personnel training	1,989	-	-	1,989

Statement of functional expenses continued on next page.

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Program Services	General and Adminis- trative	Fund- raising	Total
Telephone	\$ 1,151	\$ 102	\$ 26	\$ 1,279
Marketing	-	-	1,106	1,106
Computer maintenance	359	149	5	513
Postage	-	416	-	416
Public education	279	-	-	279
Miscellaneous	181	41	4	226
TOTAL FUNCTIONAL EXPENSES	\$ 316,537	\$ 66,419	\$ 14,441	\$ 397,397

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 15,171	\$ 42,599
Depreciation expense	10,536	10,866
Realized and unrealized gain on investments	(62,575)	(92,824)
Changes in operating assets and liabilities:		
Pledges receivable	18,101	31,308
Prepaid expenses	1,908	(826)
Accrued liabilities	(6,630)	3,282
Net cash used in operating activities	<u>(23,489)</u>	<u>(5,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	113,682	666,847
Purchase of investments	(81,913)	(715,553)
Purchase of property and equipment	-	(2,971)
Net cash provided by (used in) investing activities	<u>31,769</u>	<u>(51,677)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,280	(57,272)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>48,390</u>	<u>105,662</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 56,670</u>	<u>\$ 48,390</u>

See accompanying independent accountant's review report and notes to financial statements.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE AND PURPOSE OF THE ORGANIZATION

The Legal Assistance Center (LAC) was created as a separate legal entity by its sole member, the Grand Rapids Bar Association (Association), to help citizens in the West Michigan area with legal issues by evaluating their situation and directing them to the proper community agencies, legal aid or lawyer referral service, or providing self-help materials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

The financial statements of the Organization have been prepared on the accrual basis of accounting.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958 *Not-for-Profit Entities*. Under FASB ASC 958, the Organization 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. The Organization has no permanently restricted net assets.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. While management believes it has consistently applied its best judgment in those areas requiring estimates, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash without recognition of gain or loss.

Note 2 continued on next page.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

CASH AND CASH EQUIVALENTS (CONTINUED)

The FDIC insures interest bearing accounts up to \$250,000 per depositor and has extended unlimited coverage on all non-interest bearing accounts through December 31, 2012. In the normal course of operations, the Company may have on deposit with its bank amounts in excess of the FDIC insured limit.

INVESTMENTS

The Organization carries marketable securities at fair market value in accordance with FASB ASC 958 *Not-For-Profit Entities*. FASB ASC 958 requires that investments in debt and equity securities with readily determinable fair values be reported at fair market value with gains or losses included in the statement of activities. Unrealized gains or losses on marketable securities are included in other income.

CONTRIBUTIONS (PLEDGES) RECEIVABLE

Unconditional promises to give are recognized as revenue or gains in the period pledged and as assets, decreases of liabilities or expenses depending on the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost if purchased or fair value at time acquired if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Note 2 continued on next page.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

REVENUE RECOGNITION

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ADVERTISING

Advertising and marketing costs are charged to expense when incurred.

FEDERAL INCOME TAX

The Organization is exempt from federal income taxes as a non-profit organization under Internal Revenue Code Section 501(c)(3).

Management believes that the Organization does not have any uncertain tax positions that would be material to the financial statements.

SUBSEQUENT EVENTS EVALUATION DATE

Management has evaluated subsequent events through June 13, 2011 which was the date that the financial statements were available to be issued.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 - PLEDGES RECEIVABLE

There is no allowance for uncollectible pledges as the board has deemed the balances fully collectible.

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Amounts due in less than one year	\$ 36,671	\$ 32,104
Amounts due in one to five years	<u>4,000</u>	<u>26,668</u>
	<u>\$ 40,671</u>	<u>\$ 58,772</u>

The amount of receivable is based on an estimate of future cash flows and due to unknown factors affecting individual donors, it is possible that the estimated future cash flows of unconditional promises to give could increase or decrease in the near term. Management believes that the asset value reflected in the statements of financial position approximates the fair value of these receivables at December 31, 2010 and 2009. Fair value for contributions receivable is determined by calculating the present value at the market value discount rate (level 2 valuation in accordance with FASB ASC 820 *Fair Value Measurements and Disclosures*). The unconditional pledges will be used to support future periods and have been recorded as temporarily restricted net assets.

NOTE 4 - INVESTMENTS

The investments in equity securities and bonds are stated at fair value as determined by quoted market prices in active markets for identical assets. The equity securities and bond funds are a level 1 valuation and the certificate of deposit is a level 2 valuation in accordance with FASB ASC 820 *Fair Value Measurements and Disclosures*).

Note 4 continued on next page.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 - INVESTMENTS (CONTINUED)

	December 31,	
	2010	2009
Unrestricted:		
Equity securities	\$ 405,889	\$ 365,499
Bond funds	205,763	185,084
Certificate of deposit	10,051	40,314
	\$ 621,703	\$ 590,897

Investment income is included as a component of other income on the statement of activities and is comprised of the following:

	December 31,	
	2010	2009
Dividends and interest income	\$ 8,858	\$ 14,534
Unrealized gain on marketable securities	48,249	250,786
Realized gains (losses) on marketable securities	14,326	(157,962)
	\$ 71,433	\$ 107,358

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2010	2009
Computers	\$ 20,111	\$ 20,111
Furniture and fixtures	32,089	32,089
Leasehold improvements	40,687	40,687
	92,887	92,887
Less accumulated depreciation	55,332	44,796
Total property and equipment	\$ 37,555	\$ 48,091

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of pledges receivable of \$40,671 and \$58,772 at December 31, 2010 and 2009, respectively. The proceeds of pledges receivable are restricted for the support of future period operations.

NOTE 7 - RELATED PARTY TRANSACTIONS

As explained in Note 1, LAC was established as a separate legal entity by the Grand Rapids Bar Association (Association). LAC paid the Association management fees of \$78,382 and \$107,296 for the years ending December 31, 2010 and 2009, respectively.

The Justice Foundation of West Michigan, which was established by the Association to support its programs, contributed \$15,000 to the LAC in 2010 and 2009, respectively.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 8 - DONATED FACILITIES AND SERVICES

An unrelated third party entity provides the Legal Assistance Center with its operating facility. The estimated fair market rental value of the facility is reported as contribution support in the Statement of Activities and as rent expense in the Statement of Functional expenses in the amount of \$45,000 and \$30,000 for the years ended December 31, 2010 and 2009.

Legal Assistance Center receives certain donated services by individuals that require specialized skills and would typically need to be purchased if not provided by donation. These donated services in the amount of \$124,637 and \$154,643 for the years ended December 31, 2010 and 2009, respectively, are included in the Statements of Activity as contribution support and in the Statements of Functional Expenses as contributed services.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

OPERATING LEASE

Legal Assistance Center leases certain office equipment under an operating lease which requires monthly payments of \$422 and expires in 2015.

Future minimum lease payments under the operating lease over the next five years are summarized as follows:

2011	\$ 5,069
2012	5,069
2013	5,069
2014	5,069
2015	3,380

Note 9 continued on next page.

See accompanying independent accountant's review report.

**LEGAL ASSISTANCE CENTER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

RETIREMENT PLAN

Legal Assistance Center maintains a defined contribution 403(b) retirement plan covering substantially all employees. Eligible participants may voluntarily defer wages subject to Internal Revenue Code limits. Legal Assistance Center may make discretionary matching contributions on participating employees' contributions up to 3% of the employees' salaries. Legal Assistance Center's total matching contribution to the retirement plan for the years ended December 31, 2010 and 2009 was \$3,048 and \$3,092, respectively.

NOTE 10 - RISK CONCENTRATION

In 2010, 63% of contribution revenue was from contributed services and donated facilities, and 25% of contribution revenue was from two other separate donors.

In 2009, 62% of contribution revenue was from contributed services and donated facilities, and 29% of contribution revenue was from two other separate donors.

NOTE 11 - OTHER INCOME (LOSS)

Other income (loss), included in the statement of activities, is comprised of:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 8,858	\$ 14,534
Copy revenue	44,385	34,610
Unrealized gain on investments	48,249	250,786
Realized gain (loss) on sale of investments	<u>14,326</u>	<u>(157,962)</u>
	<u>\$ 115,818</u>	<u>\$ 141,968</u>

See accompanying independent accountant's review report.