

**SOUTHWEST LOUISIANA LAW CENTER, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2017**

## Contents

	Page
Accountants' Compilation Report	2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 12
Supplemental Information:	
Schedule of Compensation, Benefits, and other Payments to Agency Head or Chief Executive Officer	14

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**Board of Directors**

Southwest Louisiana Law Center, Inc.

Lake Charles, Louisiana

Management is responsible for the accompanying financial statements of Southwest Louisiana Law Center, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements for Accounting and Review Services promulgated by the Accounting and Review Services Committee of AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the State of Functional Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

McMullen and Mancuso, CPAs, LLC

*McMullen and Mancuso CPAs, LLC*

Sulphur, Louisiana

June 15, 2018

Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Accountants

**SOUTHWEST LOUISIANA LAW CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2017  
with comparative totals for 2016

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 10,314	\$ 11,187
Restricted Cash	104,506	83,534
Beneficial Interest in Assets Held by Community Foundation	13,315	12,110
Accounts Receivable	327,741	200,109
Allowance for Doubtful Accounts	(114,709)	(70,038)
Unconditional Promise to Give	31,000	54,500
Total Current Assets	372,167	291,402
<b>Property and Equipment</b>		
Furniture, Fixtures, and Equipment	137,856	137,856
Accumulated Depreciation	(137,856)	(137,856)
Law Library	-	139,840
Total Property and Equipment	-	139,840
<b>Other Assets</b>		
Deposits	1,075	1,075
Other Receivable	-	-
Total Other Assets	1,075	1,075
<b>Total Assets</b>	\$ 373,242	\$ 432,317
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,176	\$ 1,176
Accrued Liabilities	22,804	4,687
Client Trust Deposits	109,786	88,813
Total Current Liabilities	133,766	94,676
<b>Total Liabilities</b>	133,766	94,676
<b>Net Assets</b>		
Unrestricted	208,476	283,141
Temporarily Restricted	31,000	54,500
Total Net Assets	239,476	337,641
<b>Total Liabilities and Net Assets</b>	\$ 373,242	\$ 432,317

The accompanying notes are an intergral part of theses financial statements.

**SOUTHWEST LOUISIANA LAW CENTER, INC.**  
**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2017  
with comparative totals for 2016

	2017			2016
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Government Grants	\$ 58,585	\$ -	\$ 58,585	\$ 55,550
Other Grants and Support	57,639	-	57,639	43,083
United Way Contributions	-	62,000	62,000	109,000
Contributions	2,315	-	2,315	21,413
In Kind Contributions	51,050	-	51,050	51,050
Operating Income - Fees	351,535	-	351,535	272,606
Miscellaneous Income	4,600	-	4,600	-
Interest Income	1,336	-	1,336	105
	527,060	62,000	589,060	552,807
Net Assets Released From Restrictions	85,500	(85,500)	-	-
	612,560	(23,500)	589,060	552,807
<b>EXPENSES</b>				
Program Services	435,882	-	435,882	384,210
Supporting Services:				
Management and General	111,503	-	111,503	95,048
	547,385	-	547,385	479,258
<b>CHANGE IN NET ASSETS</b>	65,175	(23,500)	41,675	73,549
<b>NET ASSETS AT BEGINNING OF YEAR</b>	283,141	54,500	337,641	247,751
<b>PRIOR PERIOD ADJUSTMENT</b>	(139,840)	-	(139,840)	16,341
<b>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED</b>	143,301	54,500	197,801	264,092
<b>NET ASSETS AT END OF YEAR</b>	\$ 208,476	\$ 31,000	\$ 239,476	\$ 337,641

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST LOUISIANA LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2017  
with comparative totals for 2016

	Program Services	Supporting Services	Total Program and Supporting Service Expense	
	2017		2016	
Advertising	\$ 1,348	\$ 402	\$ 1,750	\$ 2,500
Bank and Credit Card Fees	2,519	753	3,272	2,744
Bad Debt	44,671	-	44,671	23,333
Conferences and Meetings	1,816	543	2,359	2,637
Employee Benefits	3,298	985	4,283	6,360
Equipment Rental and Maintenance	7,338	2,192	9,530	3,900
Insurance	5,652	1,688	7,340	6,919
Interest	136	40	176	5,738
Litigation and Client Cost	866	259	1,125	1,384
Membership Fees	2,183	652	2,835	2,108
Office Supplies and Expense	9,878	2,950	12,828	21,586
Other Costs	3,751	1,120	4,871	2,465
Payroll Taxes	20,641	5,160	25,801	23,335
Professional Fees	9,600	2,868	12,468	18,895
Rent	51,327	15,331	66,658	68,879
Salaries	267,718	75,622	343,340	281,089
Telephone	2,438	728	3,166	4,190
Training	702	210	912	720
Travel and Training	-	-	-	380
<b>Total Before Depreciation</b>	<b>435,882</b>	<b>111,503</b>	<b>547,385</b>	<b>479,162</b>
Depreciation	-	-	-	96
<b>Total Expenses</b>	<b>\$ 435,882</b>	<b>\$ 111,503</b>	<b>\$ 547,385</b>	<b>\$ 479,258</b>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST LOUISIANA LAW CENTER, INC.**  
**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2017**  
**with comparative totals for 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 41,675	\$ 73,549
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation Expense	-	96
Accounts Receivable	(82,961)	(43,334)
Restricted Cash - Client Escrow Funds	(20,972)	(46,548)
Beneficial Interest in Assets Held by Community Foundation	(1,205)	-
Unconditional Promises to Give	23,500	(22,000)
Increase (Decrease) in Liabilities:		
Accounts Payable	-	4,332
Accrued Liabilities	18,117	(13,094)
Client Trust Deposits	20,973	43,747
Net Cash Provided (Used) by Operating Activities	(873)	(3,253)
Net Increase (Decrease) in Cash and Cash Equivalents	(873)	(3,253)
Cash and Cash Equivalents, Beginning January 1, 2017	11,187	14,440
Cash and Cash Equivalents, Ending December 31, 2017	\$ 10,314	\$ 11,187
<b>Supplemental Disclosures:</b>		
<b>Cash Paid During the Year for:</b>		
Interest	\$ 176	\$ 5,738

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Organization and Purpose  
Southwest Louisiana Law Center, Inc. is a non-profit corporation organized for the purpose of providing legal assistance in non-criminal proceedings or matters to persons unable to afford such services. The Organization operates under a Board of Directors which appoint an Executive Director and otherwise controls and guides the Organization.
2. Basis of Accounting  
The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
3. Basis of Presentation  
Financial statement presentation follows the recommendations of the Financial Accounting and Standards Board Accounting Standards Codification 958-205-05-6. Under this reference, 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.
4. Restricted Cash  
*Client Escrow Funds*  
Monies deposited with Southwest Louisiana Law Center, Inc. by its clients are deposited into separate cash accounts to be used only in connection with the related litigation. The book balance of these funds at December 31, 2017 was \$104,506. Additionally, the Organization has reserved \$5,280 of the board designated account to cover the client escrow fund liability.
5. Concentration of Revenue and Support  
For December 31, 2017, the Organization received approximately 60% of its revenue and support from fees generated for legal services from the geographic region of Southwest Louisiana encompassing five parishes. Approximately 11% of the Organization's funding was provided by a *United Way grant*. If the Organization was no longer able to generate fees for legal services, or funding from United Way was no longer available, the operations of the Organization could be adversely impacted.
6. Public Support  
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

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

7. Income Taxes  
Southwest Louisiana Law Center, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, Southwest Louisiana Law Center, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) (2) of the Code.  
  
The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.
8. Property and Equipment  
Property and equipment are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. All acquisitions in excess of \$250 and all expenditures for repairs, maintenance, renewals, and betterment that materially prolong the useful lives of assets are capitalized. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method and amounted to no depreciation for the year ended December 31, 2017. The following is a summary of the estimated useful lives used:
- |                         |           |
|-------------------------|-----------|
| Furniture and equipment | 3-7 years |
|-------------------------|-----------|
9. Cash and Cash Equivalents  
For purposes of the Statements of Cash Flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.
10. Accounts Receivable  
Accounts receivable are stated at unpaid balances for services of which a contract has been signed and/or a statement has been issued. The Organization estimates the allowance for doubtful accounts based on an analysis of specific clients, taking into consideration the age of past due amounts and an assessment of the client's ability to pay. The allowance for uncollectible receivables for the year ended December 31, 2017 was \$114,709.
11. Promises to Give  
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of 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.
12. Use of Estimates  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

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

13. Contingency Fees  
Revenue and the associated accounts receivable for cases contracted on a contingency basis are recognized in the statements when a judgment is rendered by the courts and an amount is measurable.
14. Investments  
Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Donated investments are reflected as contributions at their market values at date of receipt. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.
15. Comparative Totals  
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.
16. Advertising Costs  
Advertising and marketing costs are charged to operations when incurred. For the year ended December 31, 2017, \$1,750 in such costs was incurred by the Organization.

**NOTE B - INVESTMENTS - BOARD-DESIGNATED ENDOWMENT**

In 2007, the Board of Directors designated \$10,000 of unrestricted net assets for the establishment an endowment fund known as the Southwest Louisiana Law Center Organization Fund with the Community Foundation of Southwest Louisiana (the foundation).

The Organization, may request all or any part of the assets of the Fund be distributed to the Organization at any time. Distributions from the Fund shall be made at such times, in such amounts, in such ways and for such charitable, educational, scientific, literary, or religious purposes of the Foundation and the Organization.

In the fourth quarter of each year, the Foundation's Board of Directors established the amounts to be distributed from each Endowment Fund during each of the four (4) calendar quarters of the following year. This distribution amount determined as of the end of each such quarter usually will be paid out during the following calendar quarter. Presently, the Board has authorized up to five percent (5%) as the distribution rate.

Although, in the absence of a limitation in the document establishing the Endowment Fund, the ordinary income of the Endowment Fund can always be distributed annually; however, the amount which may be distributed from the principal of any Endowment Fund cannot cause the fair value of the Endowment Fund to drop below its Historic Dollar Value. All grant awards or other distributions are made in the name of Endowment which provides the funds for the distribution. The balance of the investment at fair market value was \$13,315 at December 31, 2017.

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

**NOTE B – INVESTMENTS – BOARD-DESIGNATED ENDOWMENT (continued)**

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Changes in the endowment net assets for the year ended December 31, 2017 are as follows:

Board-designated endowment net assets, January 1, 2017	\$12,110
Investment Return	<u>1,205</u>
Board-designated endowment net assets, December 31, 2017	<u>\$13,315</u>

The following schedule summarizes the investment return in the Statement of Activities for the year ended December 31, 2017:

Investment pool gains (losses)	\$ 1,608
Income on investments	514
Investment expenses	<u>(917)</u>
Investment Return	<u>\$ 1,205</u>

**NOTE C – SUMMARY OF FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to the unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those assets and liabilities.

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

Assets Measured at Net Asset Value				
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Foundation of SWLA	\$ -	\$ -	\$13,315	\$13,315
Commingled Funds				

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

**NOTE D – COMPENSATED ABSENCES**

Included in accrued liabilities is annual leave, which vests with the employee and is payable upon termination totaling \$5,371 at December 31, 2017. Maximum annual leave amounts, which can be carried over to subsequent years, are 7.5 days per employee without board approval.

**NOTE E – IN KIND CONTRIBUTIONS**

Contributed services and office space rental are recognized both as support and expenses and therefore do not affect Southwest Louisiana Law Center, Inc.'s net assets. In kind contributions received during the year ended December 31, 2017 consist of contributed office space, which was valued at \$51,050.

**NOTE F - LEASE OF FACILITIES**

In addition to the value of the donated office space referred to in Note D, Southwest Louisiana Law Center, Inc. entered into a three-year extension of the lease agreement with the Calcasieu Parish Police Jury beginning July 1, 2017 until June 30, 2020, with a one (1) – three (3) year option period for the rental of office space in the Magnolia Life Building, Lake Charles, Louisiana. The monthly rent for the period 7/1/17 - 6/30/18 is \$1,313.51; 7/1/18 - 6/30/19 \$1,339.78 and 7/1/19 – 6/30/20 \$1,366.57. Building lease expense for the year ended December 31, 2017 was \$15,608.

**NOTE G - RETIREMENT PLAN**

Effective April 1, 1995, Southwest Louisiana Law Center, Inc. established a 403 (b) retirement plan for those employees who meet the eligibility requirements set forth in the plan. The amount of employer contributions to the plan is equal to fifty percent of the basic employee contribution made by each participant during the plan year (up to 3% match). Total contributions made to the plan for the year ended December 31, 2017 were \$2,405.

**NOTE H – UNCONDITIONAL PROMISE TO GIVE**

During the year ended December 31, 2017, the Organization received its United Way allocation. This allocation is temporarily restricted as to time of receipt and is properly reflected in the accompanying Statement of Activities as an increase in temporarily restricted net assets. The amount to be received in less than one year is \$62,000. Uncollectible allocations are expected to be insignificant.

**NOTE I – CONCENTRATION OF RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable, promises to give receivable, and investments. Accounts receivable represent amounts due for legal services from clients of both open and closed cases. Net accounts receivable totaled \$213,032 at December 31, 2017. Amounts receivable from promises to give at December 31, 2017 consists of \$31,000 from the United Way of Southwest Louisiana. The investment in the Community Foundation of Southwest Louisiana, Inc. is in a high quality institution. The investment is reported at fair market value, and not insured against market risk.

Southwest Louisiana Law Center, Inc.

Notes to the Financial Statements  
December 31, 2017

**NOTE J – FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Organization's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Organization's estimates of the amount of each expense utilized for program or support service functions.

**NOTE K - TEMPORARILY RESTRICTED NET ASSETS**

During the year ended December 31, 2017, the Organization received its United Way allocation of \$62,000 for the period July 1, 2017 through June 30, 2018. The receivable of \$31,000 is the amount for January 2018 through June 2018. This allocation is temporarily restricted as to time of receipt and is properly reflected in the accompanying Statement of Activities as an increase in temporarily restricted net assets. Uncollectible allocations are expected to be insignificant.

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events were evaluated through June 15, 2018 which is the date the financial statements were available to be issued.

**NOTE M – PRIOR PERIOD ADJUSTMENTS**

The Organization has in prior years disposed of the books that comprised the legal library asset on the Statement of Financial Position. An adjustment has been made to correct the prior year legal library asset valuation resulting in a decrease of \$139,840 to unrestricted net assets at December 31, 2017.

SUPPLEMENTARY INFORMATION

**SOUTHWEST LOUISIANA LAW CENTER, INC.**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**For the Year Ended December 31, 2017**

**Agency Head Name: Mark Judson, Executive Director**

<b>Purpose</b>	<b>Amount</b>
Salary	\$75,000
Benefits- Insurance	\$0
Benefits- Retirement	\$0
Benefits- Other	\$0
Car Allowance	\$0
Vehicle provided by government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration fees	\$0
Continuing professional education fees	\$0
Housing	\$0
Unvouchered expenses	\$0
Special meals	\$0