

**BLUE RIDGE LEGAL SERVICES, INC.**

**Financial Statements  
and  
Accompanying Information  
for the years ended  
December 31, 2013 and 2012**

# BLUE RIDGE LEGAL SERVICES, INC.

## Contents

	<b>Page</b>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13
Accompanying Information	
Statement of Support, Revenue and Expenses	14
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards	16
Independent Auditor's Report on Internal Control Over the Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	17
Independent Auditor's Report on Compliance For Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	18-19
Schedule of Findings and Questioned Costs	20

Frank Barcalow CPA, P.L.L.C.  
Certified Public Accountant

**Independent Auditor's Report**

The Board of Directors  
Blue Ridge Legal Services, Inc.  
Harrisonburg, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of Blue Ridge Legal Services, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year 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 audits. 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 of 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Legal Services, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Blue Ridge Legal Services's 2012 financial statements, and our report dated March 28, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

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 *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit organizations*, and the statement of support, revenue and expenses 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 March 27, 2014, on our consideration of Blue Ridge Legal Services, Inc.'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 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 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 Blue Ridge Legal Services, Inc.'s internal control over financial reporting and compliance.

*Frank Barcalow CPA, P.L.L.C.*

Frank Barcalow CPA, P.L.L.C.

Richmond, Virginia

March 27, 2014

# BLUE RIDGE LEGAL SERVICES, INC.

-3-

## Statements of Financial Position

December 31, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash	\$ 514,603	\$ 369,568
Cash in escrow, client deposits	7,725	2,773
Contributions receivable	871,371	743,602
Support receivable	28,260	27,089
Prepaid expenses	6,540	5,897
<b>Total current assets</b>	<u>1,428,499</u>	<u>1,148,929</u>
<b>Property and equipment</b>		
Land	6,724	6,724
Building and improvements	134,125	134,125
Furniture, fixtures and equipment	441,231	477,681
Law library	18,695	18,695
	<u>600,775</u>	<u>637,225</u>
Less accumulated depreciation	<u>537,238</u>	<u>566,165</u>
<b>Total property and equipment</b>	<u>63,537</u>	<u>71,060</u>
<b>Total assets</b>	<u>\$ 1,492,036</u>	<u>\$ 1,219,989</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,027	\$ 11,045
Accrued annual leave	60,684	54,559
Deferred revenue	12,260	15,424
Client deposits	7,725	2,773
<b>Total current liabilities</b>	<u>86,696</u>	<u>83,801</u>
<b>Net assets</b>		
Unrestricted	533,969	392,586
Temporarily restricted	871,371	743,602
<b>Total net assets</b>	<u>1,405,340</u>	<u>1,136,188</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,492,036</u>	<u>\$ 1,219,989</u>

See notes to financial statements.

**BLUE RIDGE LEGAL SERVICES, INC.**

-4-

**Statement of Activities****December 31, 2013****(With Summarized Financial Information for the Year Ended December 31, 2012)**

	<b>2013</b>			<b>2012</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Federal grants	\$ 187,781	\$ 767,937	\$ 955,718	\$ 710,163
State grants	522,805	-	522,805	534,550
Other support	366,214	103,434	469,648	350,701
Interest	893	-	893	1,014
Donated services	621,427	-	621,427	474,115
Contributions	169,966	-	169,966	157,907
	<u>1,869,086</u>	<u>871,371</u>	<u>2,740,457</u>	<u>2,228,450</u>
Net assets released from expiration of time or purpose restrictions	<u>743,602</u>	<u>(743,602)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,612,688</u>	<u>127,769</u>	<u>2,740,457</u>	<u>2,228,450</u>
<b>Expenses</b>				
Program service				
Legal assistance	2,265,978	-	2,265,978	1,958,249
Support services				
Management and general	183,258	-	183,258	181,625
Fund-raising expenses	22,069	-	22,069	5,778
	<u>2,471,305</u>	<u>-</u>	<u>2,471,305</u>	<u>2,145,652</u>
<b>Total expenses</b>	<u>2,471,305</u>	<u>-</u>	<u>2,471,305</u>	<u>2,145,652</u>
<b>Change in net assets</b>	141,383	127,769	269,152	82,798
<b>Net assets at beginning of year</b>	<u>392,586</u>	<u>743,602</u>	<u>1,136,188</u>	<u>1,053,390</u>
<b>Net assets at end of year</b>	<u>\$ 533,969</u>	<u>\$ 871,371</u>	<u>\$ 1,405,340</u>	<u>\$ 1,136,188</u>

See notes to financial statements.

**Statement of Cash Flows****For the Year Ended December 31, 2013****Cash flows from operating activities**

Change in net assets	\$	269,152
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation		17,084
(Increase) decrease in contributions receivable		(127,769)
(Increase) decrease in other receivables		(1,171)
(Increase) decrease in prepaid expenses		(643)
Increase (decrease) in accounts payable		(5,018)
Increase (decrease) in deferred revenue		6,125
Increase (decrease) in accrued vacation		<u>(3,164)</u>

**Net cash provided by (used in) operations** 154,596

**Cash flows provided by (used in) investing activities**

Additions to property and equipment		<u>(9,561)</u>
-------------------------------------	--	----------------

**Net cash provided by (used in) investing activities** (9,561)

**Net increase (decrease) in cash and cash equivalents** 145,035

**Cash and cash equivalents, beginning of year** 369,568

**Cash and cash equivalents, end of year** \$ 514,603

See notes to financial statements.

**Notes to Financial Statements  
December 31, 2013****Note 1 - Summary of significant accounting policies***Nature of activities*

Blue Ridge Legal Services, Inc. is a non-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance in the western Virginia areas. The corporation is funded primarily by grants from the Legal Services Corporation (LSC), a non-profit organization established by Congress to administer a nationwide legal assistance program, Legal Services Corporation of Virginia, a non-profit organization at the state level, contributions from the local government units within the Corporation's service area, and from various other grants and contributions.

*Promises to give*

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are 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.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. Historically, there have not been significant differences between the amounts allocated and collected, accordingly, no provision has been made for uncollectible amounts.

*Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Corporation 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. At the present time, the Corporation does not have any permanently restricted net assets.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(continued)



**Notes to Financial Statements  
December 31, 2013**

**Note 1 - Summary of significant accounting policies (continued)**

*Cash equivalents*

For purposes of the statement of cash flows, the Corporation considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

*Grant and contract support*

The Corporation recognizes grants from LSC as support on a straight-line basis over the grant period. Any grant remaining unexpended at the end of an accounting period is recorded in the LSC net assets balance. In accordance with normal LSC policies, the Corporation may use unspent funds in future periods as long as expenses incurred are in compliance with specified terms of the LSC grant, as defined. LSC may, at its discretion, request reimbursement for expenses or return of grants, or both, as a result of noncompliance by the Corporation with the terms of the grant. In addition, if the Corporation terminates its LSC grant activities, all unexpended amounts are to be returned to LSC.

The Corporation receives greater than 10% of its grant revenue from each of the following grantors:

Legal Services Corporation	41 %
Legal Services Corporation of Virginia	28 %

Grants are restricted by virtually all funding sources as to geographic region in which they may be spent. In addition, certain funding sources also restrict the purpose for which their grant may be used.

*Donated services*

The Corporation recognizes donated services as support. Donated services represent the involvement of attorneys and paralegals in the delivery of free legal assistance to eligible clients in conjunction with the Private Attorney Involvement program. A matching expense is also recorded. The value of the donated services is recorded at approximate market value. Other in-kind contributions are recorded when received at fair value as income and expense.

*Property and equipment*

Property, plant and equipment are stated at cost, if purchased, and at fair value at date of receipt, if donated. Expenditures of \$5,000 or more for acquisition, renewals and betterments are capitalized, whereas maintenance and repair costs are charged to expense as incurred. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to operations. The Legal Services Corporation has a reversionary interest in assets purchased with contract funds; therefore, proceeds from sales of property and equipment may be transferred to Legal Services Corporation net assets to be used for general program purposes.

(continued)

**Notes to Financial Statements  
December 31, 2013****Note 1 - Summary of significant accounting policies (concluded)***Property and equipment (continued)*

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets. Useful lives range from 25 years for buildings, 5 to 10 years for furniture, fixtures and equipment, 5 to 25 years for leasehold improvements.

The Corporation capitalized the original cost of the books, reference materials, and multiple volume sets of law books which make up the law library. All updates are expensed as incurred. The Corporation estimates the salvage value of its law library at \$5,000 with a useful life of 12 years.

*Allocation of expenses*

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Notes on Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

*Advertising*

The Corporation expenses advertising costs as incurred, which amounted to \$2,699 for the current year.

*Income taxes*

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The corporation is also exempt from Virginia income taxes and, therefore, has made no provision for the federal or Virginia income taxes. In addition, the Internal Revenue Service has determined that the corporation is not a "private foundation" within the meaning of Section 509(a) of the Code.

*Investments*

Investments are in certificate of deposits for one year or less and have readily determinable fair values and all investments are reported at their fair values which also approximate cost. There were no investments for the current or prior years.

**Note 2 - Property and equipment accumulated depreciation**

A summary of property and equipment accumulated depreciation follows:

	2013	2012
Building and improvements	\$ 113 868	\$ 111 561
Furniture, fixtures, library and equipment	<u>423 370</u>	<u>454 604</u>
	<u>\$ 537 238</u>	<u>\$ 566 165</u>

Depreciation expense aggregated \$17,084 in the current year.

# BLUE RIDGE LEGAL SERVICES, INC.

-9-

## Notes to Financial Statements December 31, 2013

### Note 3 - Private Attorney Involvement (PAI)

The Corporation devoted over twelve and one-half percent (12.5%) of its current LSC annualized basic field grant toward the involvement of private attorneys in providing legal services.

Below is a summary of PAI support and expenses for the year ended December 31, 2013:

LSC basic field grant		\$ 676 298
LSC-PAI requirement		<u>12.5%</u>
Total LSC support for PAI		84 537
Total PAI expenses	726 453	
Less donated services	<u>621 427</u>	
Total net expenditures for PAI		<u>105 026</u>
Meets PAI requirement		\$ <u>(20 489)</u>

### Note 4 - Concentration of funding

Blue Ridge Legal Services, Inc. is funded primarily through grants from Legal Services Corporation and Legal Services Corporation of Virginia. The following information summarizes the Corporation's grant and contract activity during the current year:

<u>Description</u>	<u>Support</u>
Legal Services Corporation basic field grant	\$ 672 555
United Way Agencies	<u>71 047</u>
Total support released from time restrictions	<u>\$ 743 602</u>

# BLUE RIDGE LEGAL SERVICES, INC.

-10-

## Notes to Financial Statements December 31, 2013

### Note 4 - Concentration of funding (concluded)

<u>Description</u>		<u>Support</u>
Legal Service Corporation of Virginia (LSCV)		
State	\$	552 805
IOLTA		<u>-</u>
Total LSCV support	\$	<u>552 805</u>
<b>Federal awards</b>		
Valley Program (Title III-Older Americans Act)	\$	13 798
Shenandoah Area (Title III-Older Americans Act)		18 990
Local Office on Aging - Roanoke (Title III-Older Americans Act)		6 120
Legal Services Corporation TIG grant		145 130
Legal Services Corporation increase in funding		3 743
Legal Services Corporation (temporarily restricted)		<u>767 937</u>
Total federal support	\$	<u>955 718</u>
<b>Other grants and contributions</b>		
City of Harrisonburg	\$	10 019
Clarke County		1 500
Rockbridge County		2 705
Rockingham County		8 054
City of Roanoke		17 026
Warren County		3 812
City of Lexington		959
City of Buena Vista		941
Bath County		520
Alleghany County		1 691
Page County		3 725
Frederick County		2 851
Shenandoah County		1 000
Roanoke County		900
City of Covington		500
Other income		214 392
United Way agencies		<u>95 619</u>
Unrestricted support from other grants and contributions		366 214
United Way Agencies (temporarily restricted)		<u>103 434</u>
Total support from other grants and contributions	\$	<u>469 648</u>

## **Notes to Financial Statements December 31, 2013**

### **Note 5 - Temporarily restricted net assets**

Total temporarily restricted net assets of \$871,371 are available for the period after December 31, 2013. The temporarily net assets are from the United Way in the amount of \$103,434 and Legal Services Corporation in the amount of \$767,937.

Total net assets released of \$743,602 in the current year from donor restrictions by satisfying the time restrictions specified by the United Way in the amount of \$71,047 and from Legal Services Corporation in the amount of \$672,555.

### **Note 6 - Concentration of credit risk**

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of cash and unsecured receivables. Cash accounts are maintained in several financial institutions in western Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the current year and prior year. Balances may at times exceed the insured maximum, but management believes there is no significant credit risk. Management believes there is no significant credit risk for accounts receivables because of close monitoring.

### **Note 7 - Comparative amounts**

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, 2012, from which the summarized information was derived.

### **Note 8 - Pension plan**

The Corporation established in 1997 a defined contribution pension plan covering substantially all employees which qualifies under Section 403(b) of the Internal Revenue Code, in which employees may elect to have amounts withheld from their salaries and invested in tax deferred annuities. The Corporation contributed \$64,770 to the plan in 2013. The Corporation shall determine, in its sole discretion, the amount of employer contributions to be made to the plan.

**Notes to Financial Statements  
December 31, 2013****Note 9 - Commitments**

The Corporation leases its Winchester office space under a ten year lease ending in 2019.

The Staunton office is rented at \$150 per month on a month-to-month basis.

The Roanoke office signed a five-year lease in 2009 for office space with a payment of \$1,386 per month. There is a clause in the Roanoke lease if funding is cut by 40% or more the Corporation may give three months notice and be released from the remainder of the lease contract.

The Lexington office operates under a one year lease ending December 31, 2014 with minimum monthly lease payment of \$1,000 with a clause to renew for another 12 months. There is a clause in the Lexington lease if funding is reduced by 20% or more the lease may be terminated.

Total future minimum monthly lease payments are as follows:

2014	\$	49 932
2015		24 239
2016		24 481
2017		24 726
2018		24 974
2019		<u>17 815</u>
	\$	<u>166 167</u>

Rental expense under these leases totaled \$56,329 in the current year.

**Note 10 - Subsequent events**

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 27, 2014 the date the financial statements were issued.

**Notes to Financial Statements  
December 31, 2013**

**Note 11 - Functional expenses, year ended December 31, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Lawyer wages	\$ 632,385	\$ 69,679	\$ 2,151	\$ 704,215
Paralegal wages	46,834	5,204	-	52,038
Non-legal wages	282,413	43,286	2,688	328,387
Donated services and equipment	621,427	-	-	621,427
Employee benefits	313,440	37,787	2,587	353,814
Travel	22,399	2,993	653	26,045
Rent	50,133	6,196	-	56,329
Utilities and telephone	35,650	4,038	368	40,056
Office supplies, postage and printing	22,791	2,049	884	25,724
Advertising	2,402	231	66	2,699
Insurance	6,994	777	-	7,771
Professional dues	8,837	465	-	9,302
Repairs and maintenance	22,774	3,707	-	26,481
Litigation expense	5,239	-	-	5,239
Equipment rental	1,867	304	-	2,171
Training and conferences	4,694	522	-	5,215
Independent contracts	9,364	1,524	-	10,888
Library materials	21,547	-	-	21,547
Miscellaneous	14,500	2,104	257	16,861
Other program expenses	125,597	-	12,415	138,012
Depreciation	14,692	2,392	-	17,084
<b>Total expenses</b>	<b>\$ 2,265,978</b>	<b>\$ 183,258</b>	<b>\$ 22,069</b>	<b>\$ 2,471,305</b>

## **Accompanying Information**



**BLUE RIDGE LEGAL SERVICES, INC.**

**Statement of Support, Revenue, and Expenses**

**Year Ended December 31, 2013**

**(With Summarized Financial Information for the Year Ended December 31, 2012)**

	2013										
	Unrestricted										
	Basic	Legal Services Corporation TIG Grant	PAI	Legal Services Corporation of Virginia	United Way	Other	Property and Equipment	Total Unrestricted	Temporarily Restricted	2013 Total	2012 Total
<b>Support and revenue</b>											
Grants and contracts	\$ 3,275	\$ 145,130	\$ 468	\$ 552,805	\$ 95,619	\$ 144,512	\$ -	\$ 941,809	\$ 871,371	\$ 1,813,180	\$ 1,479,935
Interest	893	-	-	-	-	-	-	893	-	893	1,014
Donated services and equipment	-	-	621,427	-	-	-	-	621,427	-	621,427	474,115
Contributions	-	-	-	-	-	169,966	-	169,966	-	169,966	157,907
Other income	-	-	-	-	-	134,991	-	134,991	-	134,991	115,479
Net assets released from restrictions											
Expiration of time or purpose restrictions	588,486	-	84,069	-	71,047	-	-	743,602	(743,602)	-	-
<b>Total support and revenue</b>	<u>592,654</u>	<u>145,130</u>	<u>705,964</u>	<u>552,805</u>	<u>166,666</u>	<u>449,469</u>	<u>-</u>	<u>2,612,688</u>	<u>127,769</u>	<u>2,740,457</u>	<u>2,228,450</u>
<b>Expenses</b>											
Lawyer wages	222,555	4,608	52,966	226,186	82,000	115,900	-	704,215	-	704,215	676,033
Paralegal wages	12,348	-	9,112	16,698	3,347	10,533	-	52,038	-	52,038	47,809
Non-legal wages	135,652	960	3,403	105,566	26,252	56,554	-	328,387	-	328,387	335,244
Donated services and equipment	-	-	621,427	-	-	-	-	621,427	-	621,427	474,115
Employee benefits	122,283	1,802	21,694	113,417	35,293	59,325	-	353,814	-	353,814	334,463
Travel	6,096	-	1,144	5,924	2,344	10,537	-	26,045	-	26,045	30,070
Rent	36,630	-	-	12,005	5,070	2,624	-	56,329	-	56,329	57,436
Utilities and telephone	12,678	-	-	9,856	3,605	13,917	-	40,056	-	40,056	38,272
Office supplies, postage and printing	-	-	11,856	10,510	2,315	1,043	-	25,724	-	25,724	21,270
Advertising	-	-	-	-	243	2,456	-	2,699	-	2,699	7,256
Insurance	2,803	-	500	2,585	699	1,184	-	7,771	-	7,771	7,866
Professional dues	-	-	-	9,302	-	-	-	9,302	-	9,302	9,108
Repairs and maintenance	-	-	-	-	2,383	24,098	-	26,481	-	26,481	16,934
Litigation expense	-	-	3,801	1,415	-	23	-	5,239	-	5,239	9,830
Equipment rental	923	-	-	710	195	343	-	2,171	-	2,171	2,284
Training and conferences	5,215	-	-	-	-	-	-	5,215	-	5,215	2,009
Independent contracts	4,165	630	462	3,580	980	1,071	-	10,888	-	10,888	13,042
Library materials	9,157	-	-	7,009	1,939	3,442	-	21,547	-	21,547	21,085
Miscellaneous	-	-	88	3,103	-	13,670	-	16,861	-	16,861	10,715
Other program expenses	6,979	121,880	-	4,475	-	4,678	-	138,012	-	138,012	13,712
Depreciation	-	-	-	-	-	-	17,084	17,084	-	17,084	17,099
<b>Total expenses</b>	<u>577,484</u>	<u>129,880</u>	<u>726,453</u>	<u>532,341</u>	<u>166,666</u>	<u>321,397</u>	<u>17,084</u>	<u>2,471,305</u>	<u>-</u>	<u>2,471,305</u>	<u>2,145,652</u>
<b>Change in net assets</b>	15,170	15,250	(20,489)	20,464	-	128,072	(17,084)	141,383	127,769	269,152	82,798
<b>Net assets at beginning of year</b>	11,973	(4,250)	-	5,026	-	308,777	71,060	392,586	743,602	1,136,188	1,053,390
Add (deduct) acquisition of property	-	-	-	-	-	(9,561)	9,561	-	-	-	-
Transfers	(20,489)	-	20,489	-	-	-	-	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 6,654</u>	<u>\$ 11,000</u>	<u>\$ -</u>	<u>\$ 25,490</u>	<u>\$ -</u>	<u>\$ 427,288</u>	<u>\$ 63,537</u>	<u>\$ 533,969</u>	<u>\$ 871,371</u>	<u>\$ 1,405,340</u>	<u>\$ 1,136,188</u>

**BLUE RIDGE LEGAL SERVICES, INC.**

-15-

**Schedule of Expenditures of Federal Awards****For the Year Ended December 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation		
Basic field grant	09. 447081	\$ 682 510
TIG grant	09. 447081	121 880
U.S. Department of Health and Human Pass-through from Department on Aging Title III	93.282	<u>38 908</u>
Total Expenditures of Federal Awards		\$ <u><u>843 298</u></u>

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2013****Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Blue Ridge Legal Services, Inc. under programs of the federal government for the year ended December 31, 2013. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"* and Legal Services Corporation Audit Guide and Compliance Supplements. Because the Schedule presents only a selected portion of the operations of the Blue Ridge Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses or the cash flows of the Blue Ridge Legal Services, Inc.

**Note 2 - 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 OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## **Independent Auditor's Report on Internal Control Over the Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with *Government Auditing Standards***

Board of Directors  
Blue Ridge Legal Services, Inc.  
Harrisonburg, Virginia

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 Blue Ridge Legal Services, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated March 27, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Blue Ridge Legal Services, Inc.'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 Blue Ridge Legal Services, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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. above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Blue Ridge Legal Services Inc.'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 result 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.

*Frank Barcalow CPA, P.L.L.C.*

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
March 27, 2014

**Independent Auditor's Report on  
Compliance For Each Major Program and On Internal Control Over Compliance  
Required by OMB Circular A-133**

Board of Directors  
Blue Ridge Legal Services, Inc.  
Harrisonburg, Virginia

We have audited Blue Ridge Legal Services, Inc.'s compliance with the types of compliance requirement described in the *OMB Circular A-133 Compliance Supplement and Legal Services Corporation Audit Guide and Compliance Supplements* that could have a direct and material effect on each of Blue Ridge Legal Services, Inc.'s major federal programs for the year ended December 31, 2013. Blue Ridge Legal Services, Inc. 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 Blue Ridge Legal Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Legal Services Corporation Audit Guide and Compliance Supplements*. Those standards and OMB Circular A-133 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 Blue Ridge Legal Services, Inc.'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 Blue Ridge Legal Services, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Blue Ridge Legal Services, Inc. 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 year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

The management of Blue Ridge Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Blue Ridge Legal Services, Inc.'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion over the effectiveness of the Blue Ridge Legal Services, Inc.'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 weaknesses 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Frank Barcalow CPA, P.L.L.C.*

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
March 27, 2014

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2013**

**A. Summary of audit results**

Type of auditor’s report issued:	Unqualified
Financial statements - Internal control over financial reporting	
Deficiency identified	No
Material weaknesses identified	No
Significant deficiencies identified	None reported
Financial statements -	
Noncompliance material to financial statements	No
Federal awards - Internal control over major programs:	
Deficiency identified	No
Material weaknesses identified	No
Significant deficiencies identified not considered to be	
Material weaknesses	None reported

The auditor’s report on compliance for the major federal award programs for the Blue Ridge Legal Services, Inc. expresses an unqualified opinion.

No audit findings reported that were required to be disclosed in accordance with section 510(a) of Circular A-133.

The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA#</u>
Legal Services Corporation	
Basic Field Grant recipient	09.447081

The threshold for distinguishing Types A and B programs was \$300,000.

Auditee was not determined to be a low risk auditee.

**B. Findings - financial statement audit**

None

**C. Findings and questioned costs - major federal awards programs audit**

None