

**BLUE RIDGE LEGAL SERVICES, INC.**

**Financial Statements  
and  
Accompanying Information  
for the years ended  
December 31, 2014 and 2013**

# BLUE RIDGE LEGAL SERVICES, INC.

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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, 2014, 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, 2014, 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 2013 financial statements, and our report dated March 27, 2014, 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, 2013, 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 26, 2015, 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 26, 2015

# BLUE RIDGE LEGAL SERVICES, INC.

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## Statement of Financial Position

December 31, 2014

(With Comparative Financial Information for the Year Ended December 31, 2013)

Assets	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ 555,395	\$ 514,603
Cash in escrow, client deposits	13,413	7,725
Contributions receivable	883,865	871,371
Other receivables	40,713	28,260
Prepaid expenses	7,147	6,540
<b>Total current assets</b>	<u>1,500,533</u>	<u>1,428,499</u>
<b>Property and equipment</b>		
Land	6,724	6,724
Building and improvements	134,125	134,125
Furniture, fixtures and equipment	454,131	441,231
Law library	18,695	18,695
	<u>613,675</u>	<u>600,775</u>
Less accumulated depreciation	<u>551,924</u>	<u>537,238</u>
<b>Total property and equipment</b>	<u>61,751</u>	<u>63,537</u>
<b>Total assets</b>	<u>\$ 1,562,284</u>	<u>\$ 1,492,036</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,251	\$ 6,027
Accrued annual leave	74,783	60,684
Deferred revenue	6,944	12,260
Client deposits	13,413	7,725
<b>Total current liabilities</b>	<u>102,391</u>	<u>86,696</u>
<b>Net assets</b>		
Unrestricted	576,028	533,969
Temporarily restricted	883,865	871,371
<b>Total net assets</b>	<u>1,459,893</u>	<u>1,405,340</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,562,284</u>	<u>\$ 1,492,036</u>

See notes to financial statements.

**BLUE RIDGE LEGAL SERVICES, INC.**

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**Statement of Activities****December 31, 2014****(With Summarized Financial Information for the Year Ended December 31, 2013)**

	<b>2014</b>			<b>2013</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Federal grants	\$ 200,936	\$ 784,252	\$ 985,188	\$ 955,718
State grants	589,314	-	589,314	522,805
Other support	369,820	99,613	469,433	469,648
Interest	930	-	930	893
Donated services	609,368	-	609,368	621,427
Contributions	168,412	-	168,412	169,966
	<u>1,938,780</u>	<u>883,865</u>	<u>2,822,645</u>	<u>2,740,457</u>
Net assets released from expiration of time or purpose restrictions	<u>871,371</u>	<u>(871,371)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,810,151</u>	<u>12,494</u>	<u>2,822,645</u>	<u>2,740,457</u>
<b>Expenses</b>				
Program service				
Legal assistance	2,529,229	-	2,529,229	2,265,978
Support services				
Management and general	212,510	-	212,510	183,258
Fund-raising expenses	26,353	-	26,353	22,069
	<u>2,768,092</u>	<u>-</u>	<u>2,768,092</u>	<u>2,471,305</u>
<b>Total expenses</b>	<u>2,768,092</u>	<u>-</u>	<u>2,768,092</u>	<u>2,471,305</u>
<b>Change in net assets</b>	42,059	12,494	54,553	269,152
<b>Net assets at beginning of year</b>	<u>533,969</u>	<u>871,371</u>	<u>1,405,340</u>	<u>1,136,188</u>
<b>Net assets at end of year</b>	<u>\$ 576,028</u>	<u>\$ 883,865</u>	<u>\$ 1,459,893</u>	<u>\$ 1,405,340</u>

See notes to financial statements.

**Statement of Functional Expenses**

**December 31, 2014**

**(With Comparative Financial Information for the Year Ended December 31, 2013)**

December 31, 2014	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Lawyer wages	\$ 803,996	\$ 86,846	\$ 4,477	\$ 895,319
Paralegal wages	48,215	5,357	-	53,572
Non-legal wages	290,125	45,543	1,687	337,355
Donated services and equipment	609,368	-	-	609,368
Employee benefits	372,736	45,456	2,034	420,226
Travel	27,849	3,610	924	32,383
Rent	50,370	6,226	-	56,596
Utilities and telephone	39,276	4,597	257	44,130
Office supplies, postage and printing	26,072	2,704	651	29,427
Advertising	2,731	338	-	3,069
Insurance	6,557	729	-	7,286
Professional dues	10,237	539	-	10,776
Repairs and maintenance	18,676	3,040	-	21,716
Litigation expense	5,219	-	-	5,219
Equipment rental	1,987	324	-	2,311
Training and conferences	4,155	462	-	4,617
Independent contracts	10,842	1,765	-	12,607
Library materials	22,607	-	-	22,607
Miscellaneous	20,378	2,921	396	23,695
Other program expenses	145,200	-	15,927	161,127
Depreciation	12,630	2,056	-	14,686
<b>Total expenses</b>	<b>\$ 2,529,229</b>	<b>\$ 212,510</b>	<b>\$ 26,353</b>	<b>\$ 2,768,092</b>
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	4,693	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>

See notes to financial statements.

**Statement of Cash Flows**

**For the Year Ended December 31, 2014**

**(With Comparative Financial Information for the Year Ended December 31, 2013)**

	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 54,553	\$ 269,152
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	14,686	17,084
(Increase) decrease in contributions receivable	(12,494)	(127,769)
(Increase) decrease in other receivables	(12,453)	(1,171)
(Increase) decrease in prepaid expenses	(607)	(643)
Increase (decrease) in accounts payable	1,224	(5,018)
Increase (decrease) in deferred revenue	(5,316)	6,125
Increase (decrease) in accrued vacation	14,099	(3,164)
	<u>53,692</u>	<u>154,596</u>
<b>Net cash provided by (used in) operations</b>		
<b>Cash flows provided by (used in) investing activities</b>		
Additions to property and equipment	<u>(12,900)</u>	<u>(9,561)</u>
	<u>(12,900)</u>	<u>(9,561)</u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	40,792	145,035
<b>Cash and cash equivalents, beginning of year</b>	<u>514,603</u>	<u>369,568</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 555,395</u>	<u>\$ 514,603</u>

See notes to financial statements.



**Notes to Financial Statements  
December 31, 2014****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, 2014**

**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	27 %

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, 2014****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 Statement of 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 \$3,069 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:

	2014	2013
Building and improvements	\$ 116 175	\$ 113 868
Furniture, fixtures, library and equipment	435 749	423 370
	<u>\$ 551 924</u>	<u>\$ 537 238</u>

Depreciation expense aggregated \$14,686 in the current year.

**Notes to Financial Statements  
December 31, 2014****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, 2014:

LSC basic field grant		\$ 767 937
LSC-PAI requirement		<u>12.5%</u>
Total LSC support for PAI		95 992
Total PAI expenses	716 005	
Less donated services	<u>609 368</u>	
Total net expenditures for PAI		<u>106 637</u>
Meets PAI requirement		\$ <u>(10 645)</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	\$ 767 937
United Way Agencies	<u>103 434</u>
Total support released from time restrictions	\$ <u>871 371</u>

# BLUE RIDGE LEGAL SERVICES, INC.

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## Notes to Financial Statements December 31, 2014

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

<u>Description</u>		<u>Support</u>
Legal Service Corporation of Virginia (LSCV) State	\$	589 314
<b>Federal awards</b>		
Valley Program (Title III-Older Americans Act)	\$	18 962
Shenandoah Area (Title III-Older Americans Act)		32 120
Local Office on Aging - Roanoke (Title III-Older Americans Act)		4 654
Legal Services Corporation TIG grant		145 200
Legal Services Corporation (temporarily restricted)		<u>784 252</u>
Total federal support	\$	<u>985 188</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		21 027
Warren County		3 812
City of Lexington		959
City of Buena Vista		961
Bath County		520
Alleghany County		1 691
Page County		3 725
City of Salem		500
Shenandoah County		1 000
Roanoke County		600
City of Covington		500
Other income		220 472
United Way agencies		<u>91 775</u>
Unrestricted support from other grants and contributions		369 820
United Way Agencies (temporarily restricted)		<u>99 613</u>
Total support from other grants and contributions	\$	<u>469 433</u>

## **Notes to Financial Statements December 31, 2014**

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

Total temporarily restricted net assets of \$883,865 are available for the period after December 31, 2014. The temporarily net assets are from the United Way in the amount of \$99,613 and Legal Services Corporation in the amount of \$784,252.

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.

### **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, 2013, 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 \$76,266 to the plan in 2014. 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, 2014****Note 9 - Commitments**

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

The Staunton office is rented at \$300 per month under a three year lease.

The Roanoke office signed a five-year lease in 2014 for office space with a payment of \$1,325 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 three year lease ending December 31, 2017 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:

2015	\$	55 819
2016		56 381
2017		56 951
2018		41 932
2019		<u>30 722</u>
	\$	<u>241 805</u>

Rental expense under these leases totaled \$56,596 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 26, 2015 the date the financial statements were issued.

## **Accompanying Information**



**BLUE RIDGE LEGAL SERVICES, INC.**

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

**Year Ended December 31, 2014**

**(With Summarized Financial Information for the Year Ended December 31, 2013)**

	<b>2014</b>										
	<b>Unrestricted</b>										
	Basic	Legal Services Corporation TIG Grant	PAI	Legal Services Corporation of Virginia	United Way	Other	Property and Equipment	Total Unrestricted	Temporarily Restricted	2014 Total	2013 Total
<b>Support and revenue</b>											
Grants and contracts	\$ -	\$ 145,200	\$ -	\$ 589,314	\$ 91,775	\$ 166,441	\$ -	\$ 992,730	\$ 883,865	\$ 1,876,595	\$ 1,813,180
Interest	930	-	-	-	-	-	-	930	-	930	893
Donated services and equipment	-	-	609,368	-	-	-	-	609,368	-	609,368	621,427
Contributions	-	-	-	-	-	168,412	-	168,412	-	168,412	169,966
Other income	3,369	-	-	-	-	163,971	-	167,340	-	167,340	134,991
Net assets released from restrictions											
Expiration of time or purpose restrictions	671,945	-	95,992	-	103,434	-	-	871,371	(871,371)	-	-
<b>Total support and revenue</b>	<b>676,244</b>	<b>145,200</b>	<b>705,360</b>	<b>589,314</b>	<b>195,209</b>	<b>498,824</b>	<b>-</b>	<b>2,810,151</b>	<b>12,494</b>	<b>2,822,645</b>	<b>2,740,457</b>
<b>Expenses</b>											
Lawyer wages	292,097	6,511	56,085	269,988	100,898	169,740	-	895,319	-	895,319	704,215
Paralegal wages	14,272	-	7,359	15,882	4,821	11,238	-	53,572	-	53,572	52,038
Non-legal wages	137,047	1,151	3,202	101,350	30,362	64,243	-	337,355	-	337,355	328,387
Donated services and equipment	-	-	609,368	-	-	-	-	609,368	-	609,368	621,427
Employee benefits	143,027	2,548	22,801	124,175	38,236	89,439	-	420,226	-	420,226	353,814
Travel	6,320	-	1,086	6,153	2,914	15,910	-	32,383	-	32,383	26,045
Rent	29,784	-	-	12,005	5,094	9,713	-	56,596	-	56,596	56,329
Utilities and telephone	13,486	-	-	9,851	3,972	16,821	-	44,130	-	44,130	40,056
Office supplies, postage and printing	4,566	-	9,137	9,379	2,648	3,697	-	29,427	-	29,427	25,724
Advertising	670	-	-	-	276	2,123	-	3,069	-	3,069	2,699
Insurance	3,141	-	484	2,660	656	345	-	7,286	-	7,286	7,771
Professional dues	-	-	-	10,776	-	-	-	10,776	-	10,776	9,302
Repairs and maintenance	4,744	-	-	-	1,954	15,018	-	21,716	-	21,716	26,481
Litigation expense	-	-	5,142	77	-	-	-	5,219	-	5,219	5,239
Equipment rental	-	-	-	690	208	1,413	-	2,311	-	2,311	2,171
Training and conferences	4,617	-	-	-	-	-	-	4,617	-	4,617	5,215
Independent contracts	4,095	790	1,100	3,759	1,135	1,728	-	12,607	-	12,607	10,888
Library materials	9,195	-	-	6,661	2,035	4,716	-	22,607	-	22,607	21,547
Miscellaneous	-	-	241	3,745	-	19,709	-	23,695	-	23,695	16,861
Other program expenses	-	145,200	-	2,227	-	13,700	-	161,127	-	161,127	138,012
Depreciation	-	-	-	-	-	-	14,686	14,686	-	14,686	17,084
<b>Total expenses</b>	<b>667,061</b>	<b>156,200</b>	<b>716,005</b>	<b>579,378</b>	<b>195,209</b>	<b>439,553</b>	<b>14,686</b>	<b>2,768,092</b>	<b>-</b>	<b>2,768,092</b>	<b>2,471,305</b>
<b>Change in net assets</b>	<b>9,183</b>	<b>(11,000)</b>	<b>(10,645)</b>	<b>9,936</b>	<b>-</b>	<b>59,271</b>	<b>(14,686)</b>	<b>42,059</b>	<b>12,494</b>	<b>54,553</b>	<b>269,152</b>
<b>Net assets at beginning of year</b>	<b>6,654</b>	<b>11,000</b>	<b>-</b>	<b>25,490</b>	<b>-</b>	<b>427,288</b>	<b>63,537</b>	<b>533,969</b>	<b>871,371</b>	<b>1,405,340</b>	<b>1,136,188</b>
Add (deduct) acquisition of property	-	-	-	(12,900)	-	-	12,900	-	-	-	-
Transfers	(10,645)	-	10,645	-	-	-	-	-	-	-	-
<b>Net assets at end of year</b>	<b>\$ 5,192</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,526</b>	<b>\$ -</b>	<b>\$ 486,559</b>	<b>\$ 61,751</b>	<b>\$ 576,028</b>	<b>\$ 883,865</b>	<b>\$ 1,459,893</b>	<b>\$ 1,405,340</b>

**BLUE RIDGE LEGAL SERVICES, INC.**

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**Schedule of Expenditures of Federal Awards****For the Year Ended December 31, 2014**

<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	\$ 773 698
TIG grant	09. 447081	156 200
U.S. Department of Health and Human Pass-through from Department on Aging Title III	93.282	<u>55 736</u>
Total Expenditures of Federal Awards		\$ <u><u>985 634</u></u>

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2014**

**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, 2014. 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, 2014, 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 26, 2015.

### **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 26, 2015

**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, 2014. 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, 2014.

### **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 26, 2015

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2014**

**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