

BLUE RIDGE LEGAL SERVICES, INC.

**Financial Statements
and
Accompanying Information
for the year ended
December 31, 2018
(with comparative financial information
for the year ended December 31, 2017)**

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, 2018, and the related statement of activities, functional expenses 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, 2018, 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, Inc. 2017 financial statements, and our report dated March 22, 2018, 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, 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; schedule of support, revenue and expenses are presented for purposes of additional analysis and are 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 21, 2019, 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 21, 2019

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Statement of Financial Position

December 31, 2018

(With Comparative Financial Information for the Year Ended December 31, 2017)

Assets	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 650,546	\$ 778,212
Cash in escrow, client deposits	4,082	2,699
Certificates of deposits	200,785	0
Accounts receivables	112,415	164,271
Prepaid expenses	4,160	4,448
Total current assets	<u>971,988</u>	<u>949,630</u>
Property and equipment		
Land	6,724	6,724
Building and improvements	134,125	134,125
Furniture, fixtures and equipment	468,611	461,631
Law library	18,695	18,695
	<u>628,155</u>	<u>621,175</u>
Less accumulated depreciation	595,881	586,361
Total property and equipment	<u>32,274</u>	<u>34,814</u>
Deposits	5,397	5,397
Total assets	<u>\$ 1,009,659</u>	<u>\$ 989,841</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 14,332	\$ 9,295
Accrued annual leave	88,376	80,471
Deferred revenue	13,750	61,012
Client deposits	4,082	2,699
Total current liabilities	<u>120,540</u>	<u>153,477</u>
Net assets		
Without donor restrictions	885,758	836,364
With donor restrictions	3,361	0
Total net assets	<u>889,119</u>	<u>836,364</u>
Total liabilities and net assets	<u>\$ 1,009,659</u>	<u>\$ 989,841</u>

See notes to financial statements.

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Statement of Activities**For the Year Ended December 31, 2018****(With Summarized Financial Information for the Year Ended December 31, 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Federal grants	\$ -	\$ 1,250,054	\$ 1,250,054	\$ 961,802
State grants	664,902	-	664,902	676,104
Other support	390,371	-	390,371	790,409
Investment income	4,890	-	4,890	1,183
Donated services	443,243	-	443,243	406,364
Contributions	112,399	-	112,399	205,359
	<u>1,615,805</u>	<u>1,250,054</u>	<u>2,865,859</u>	<u>3,041,221</u>
Net assets released from expiration of time or purpose restrictions	<u>1,269,848</u>	<u>(1,269,848)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,885,653</u>	<u>(19,794)</u>	<u>2,865,859</u>	<u>3,041,221</u>
Expenses				
Program service				
Legal assistance	2,569,457	-	2,569,457	2,537,641
Support services				
Management and general	229,432	-	229,432	235,729
Fund-raising expenses	14,215	-	14,215	13,472
Total expenses	<u>2,813,104</u>	<u>-</u>	<u>2,813,104</u>	<u>2,786,842</u>
Change in net assets	72,549	(19,794)	52,755	254,379
Net assets at beginning of year	<u>813,209</u>	<u>23,155</u>	<u>836,364</u>	<u>581,985</u>
Net assets at end of year	<u>\$ 885,758</u>	<u>\$ 3,361</u>	<u>\$ 889,119</u>	<u>\$ 836,364</u>

See notes to financial statements.

Statement of Functional Expenses

For the Year Ended December 31, 2018

(With Comparative Financial Information for the Year Ended December 31, 2017)

December 31, 2018	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Lawyer wages	\$ 940,024	\$ 81,990	\$ 2,855	\$ 1,024,869
Paralegal wages	39,927	4,436	-	44,363
Non-legal wages	361,041	64,543	4,701	430,285
Donated services and equipment	443,243	-	-	443,243
Employee benefits	464,386	52,839	2,645	519,870
Travel	29,334	3,388	1,154	33,875
Rent	60,299	6,700	-	66,999
Utilities and telephone	40,369	4,563	694	45,625
Office supplies, postage and printing	23,722	2,775	1,256	27,753
Advertising	747	-	-	747
Insurance	9,968	1,108	-	11,076
Professional dues	11,532	1,281	-	12,813
Repairs and maintenance	14,549	1,617	-	16,166
Litigation expense	1,362	-	-	1,362
Equipment rental	2,885	321	-	3,206
Training and conferences	3,690	410	-	4,100
Independent contracts	14,746	1,638	-	16,384
Library materials	21,125	-	-	21,125
Miscellaneous	6,941	872	910	8,723
Other program expenses	71,000	-	-	71,000
Depreciation	8,568	952	-	9,520
Total expenses	\$ 2,569,457	\$ 229,432	\$ 14,215	\$ 2,813,104
December 31, 2017	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Lawyer wages	\$ 940,192	\$ 81,996	\$ 2,759	\$ 1,024,947
Paralegal wages	36,346	4,039	-	40,385
Non-legal wages	396,299	70,745	4,588	471,632
Donated services and equipment	406,364	-	-	406,364
Employee benefits	475,229	53,081	2,498	530,808
Travel	37,099	4,235	1,015	42,349
Rent	54,118	6,013	-	60,131
Utilities and telephone	40,049	4,511	551	45,111
Office supplies, postage and printing	20,514	2,407	1,151	24,072
Advertising	1,470	-	-	1,470
Insurance	10,632	1,181	-	11,813
Professional dues	11,417	1,269	-	12,686
Repairs and maintenance	18,985	2,110	-	21,095
Litigation expense	7,813	-	-	7,813
Equipment rental	2,785	309	-	3,094
Training and conferences	2,462	274	-	2,736
Independent contracts	13,525	1,503	-	15,028
Library materials	20,731	-	-	20,731
Miscellaneous	8,641	1,059	910	10,610
Other program expenses	24,000	-	-	24,000
Depreciation	8,970	997	-	9,967
Total expenses	\$ 2,537,641	\$ 235,729	\$ 13,472	\$ 2,786,842

See notes to financial statements.

BLUE RIDGE LEGAL SERVICES, INC.

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Statement of Cash Flows

For the Year Ended December 31, 2018

(With Comparative Financial Information for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 52,755	\$ 254,379
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	9,520	9,967
(Increase) decrease in accounts receivables	51,856	(80,242)
(Increase) decrease in prepaid expenses	287	(2,859)
Increase (decrease) in accounts payable	5,036	(16,805)
Increase (decrease) in deferred revenue	(47,260)	(6,356)
Increase (decrease) in accrued vacation	7,905	(1,772)
	<u>80,099</u>	<u>156,312</u>
Net cash provided by (used in) operations		
	<u>80,099</u>	<u>156,312</u>
Cash flows provided by (used in) investing activities		
Additions to investments	(200,785)	-
Additions to property and equipment	(6,980)	-
	<u>(207,765)</u>	<u>-</u>
Net cash provided by (used in) investing activities		
	<u>(207,765)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(127,666)	156,312
Cash and cash equivalents, beginning of year	<u>778,212</u>	<u>621,900</u>
Cash and cash equivalents, end of year	\$ <u><u>650,546</u></u>	\$ <u><u>778,212</u></u>

See notes to financial statements.

**Notes to Financial Statements
December 31, 2018****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 donor restricted net assets.

The Corporation 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 two classes of net assets: net assets without donor restrictions - net assets available for use in general operations and net assets with donor restrictions - donor imposed restrictions are temporary in nature such as those that will be met by the passage of time or other events specified by the donor.

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.

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.

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.

(continued)

**Notes to Financial Statements
December 31, 2018****Note 1 - Summary of significant accounting policies (continued)*****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	38 %
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.

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.

(continued)

**Notes to Financial Statements
December 31, 2018****Note 1 - Summary of significant accounting policies (concluded)***Functional expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on funding basis. Any expenses that can be identified to a funding source are directly charged to appropriate grant.

Advertising

The Corporation expenses advertising costs as incurred, expense for the current year was \$747.

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. The Corporation's income tax returns are potentially subject to examination by the Internal Revenue Service generally for three years after being filed. The Corporation has no uncertain tax positions for the current year or prior year.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 2 - Property and equipment accumulated depreciation

A summary of property and equipment accumulated depreciation follows:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 125 402	\$ 123 095
Furniture, fixtures, library and equipment	<u>470 479</u>	<u>463 266</u>
	<u>\$ 595 881</u>	<u>\$ 586 361</u>

Depreciation expense aggregated \$9,520 in the current year.

**Notes to Financial Statements
December 31, 2018**

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, 2018:

LSC basic field grant		\$ 844 800
LSC-PAI requirement		<u>12.5%</u>
Total LSC support for PAI		105 600
Total PAI expenses	561 079	
Less donated services	<u>443 243</u>	
Total net expenditures for PAI		<u>117 836</u>
Meets PAI requirement		\$ <u>(12 236)</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 Service Corporation of Virginia (LSCV) State	\$	664 902
Federal awards		
Valley Program (Title III-Older Americans Act)	\$	19 859
Shenandoah Area (Title III-Older Americans Act)		11 951
Local Office on Aging - Roanoke (Title III-Older Americans Act)		7 740
Legal Services Corporation TIG grant		76 000
Department of Justice - VOCA Grant		289 704
Legal Services Corporation		<u>844 800</u>
Total federal support	\$	<u>1 250 054</u>

**Notes to Financial Statements
December 31, 2018****Note 4 - Concentration of funding (concluded)**

Other grants and contributions	
City of Harrisonburg	\$ 10 019
Clarke County	1 500
Rockbridge County	2 780
Rockingham County	8 054
City of Roanoke	18 707
Warren County	4 289
City of Lexington	959
City of Buena Vista	1 293
Bath County	759
Alleghany County	1 691
Page County	3 725
City of Salem	500
Shenandoah County	1 000
City of Covington	1 235
Other income	221 993
United Way agencies	<u>111 867</u>
Total support from other grants and contributions	\$ <u><u>390 371</u></u>

Note 5 - Net assets with donor restrictions

Net assets with donor restrictions totaled \$3,361 as of December 31, 2018 from Legal Services Corporation.

Net assets with donor restrictions released due to purpose totaled \$1,269,848 and consisted of revenue received from federal funding.

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, 2017, from which the summarized information was derived.

**Notes to Financial Statements
December 31, 2018**

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 \$89,892 to the plan in the current year. The Corporation shall determine, in its sole discretion, the amount of employer contributions to be made to the plan.

Note 9 - Net assets balances

Blue Ridge Legal Services may carryforward 20% of its LSCV support and 10% of its LSC support from the present contracts to the next immediate fiscal year. Balances greater than the above have to be approved by the funding source. There were no amounts over the maximum net assets allowed for the current year.

Note 10 - Fair value measurements

The Corporation records fair value adjustments to certain assets and liabilities and determines fair value disclosures. The fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy under this standard based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Note 11 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	650 546
Certificates of deposits		200 785
Accounts receivable		<u>112 415</u>
Less: donor restrictions		<u>3 361</u>
	\$	<u><u>960 385</u></u>

**Notes to Financial Statements
December 31, 2018****Note 12 - Commitments**

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

The Staunton offices are 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, 2020 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:

2019	46 322
2020	<u>12 000</u>
	\$ <u>58 322</u>

Rental expense under these leases totaled \$66,999 in the current year.

Note 13 - Subsequent events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 21, 2019 the date the financial statements were issued.

Note 14 - Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) "Presentation of Financial Statements of Not-for-Profit Entities". The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, but there were no changes to net assets.

Accompanying Information

BLUE RIDGE LEGAL SERVICES, INC.

**Statement of Support, Revenue, and Expenses
For the Year Ended December 31, 2018**

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018								
	Unrestricted								
	Basic	Legal Services Corporation TIG Grant	PAI	Legal Services Corporation of Virginia	United Way	Other	Property and Equipment	2018 Total	2017 Total
Support and revenue									
Grants and contracts	\$ 739,200	\$ 76,000	\$ 105,600	\$ 664,902	\$ 111,867	\$ 560,764	\$ -	\$ 2,258,333	\$ 2,387,432
Investment income	4,890	-	-	-	-	-	-	4,890	1,183
Donated services and equipment	-	-	443,243	-	-	-	-	443,243	406,364
Contributions	-	-	-	-	-	112,399	-	112,399	205,359
Other income	400	-	-	-	-	46,594	-	46,994	40,883
	<u>744,490</u>	<u>76,000</u>	<u>548,843</u>	<u>664,902</u>	<u>111,867</u>	<u>719,757</u>	<u>-</u>	<u>2,865,859</u>	<u>3,041,221</u>
Expenses									
Lawyer wages	391,160	2,951	15,148	293,484	42,284	279,842	-	1,024,869	1,024,947
Paralegal wages	17,588	-	-	12,703	1,855	12,217	-	44,363	40,385
Non-legal wages	90,635	2,049	62,451	123,209	26,518	125,423	-	430,285	471,632
Donated services and equipment	-	-	443,243	-	-	-	-	443,243	406,364
Employee benefits	175,339	-	28,078	148,860	29,488	138,105	-	519,870	530,808
Travel	7,982	-	1,296	9,700	2,544	12,353	-	33,875	42,349
Rent	19,599	-	3,401	24,466	3,610	15,923	-	66,999	60,131
Utilities and telephone	18,530	-	1,830	10,078	2,555	12,632	-	45,625	45,111
Office supplies, postage and printing	13,298	-	1,201	10,487	-	2,767	-	27,753	24,072
Advertising	-	-	-	-	-	747	-	747	1,470
Insurance	3,810	-	581	3,172	921	2,592	-	11,076	11,813
Professional dues	-	-	-	12,813	-	-	-	12,813	12,686
Repairs and maintenance	-	-	1,305	1,019	803	13,039	-	16,166	21,095
Litigation expense	385	-	155	390	-	432	-	1,362	7,813
Equipment rental	1,287	-	-	918	115	886	-	3,206	3,094
Training and conferences	-	-	1,175	1,174	-	1,751	-	4,100	2,736
Independent contracts	5,455	-	1,040	1,447	920	7,522	-	16,384	15,028
Library materials	-	-	-	6,049	254	14,822	-	21,125	20,731
Miscellaneous	-	-	175	3,216	-	5,332	-	8,723	10,610
Other program expenses	-	71,000	-	-	-	-	-	71,000	24,000
Depreciation	-	-	-	-	-	-	9,520	9,520	9,967
	<u>745,068</u>	<u>76,000</u>	<u>561,079</u>	<u>663,185</u>	<u>111,867</u>	<u>646,385</u>	<u>9,520</u>	<u>2,813,104</u>	<u>2,786,842</u>
Change in net assets	(578)	-	(12,236)	1,717	-	73,372	(9,520)	52,755	254,379
Net assets at beginning of year	23,155	-	-	16,448	-	761,947	34,814	836,364	581,985
Add (deduct) acquisition of property	(6,980)	-	-	-	-	-	6,980	-	-
Transfers	(12,236)	-	12,236	-	-	-	-	-	-
Net assets at end of year	<u>\$ 3,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,165</u>	<u>\$ -</u>	<u>\$ 835,319</u>	<u>\$ 32,274</u>	<u>\$ 889,119</u>	<u>\$ 836,364</u>

BLUE RIDGE LEGAL SERVICES, INC.

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Schedule of Expenditures of Federal Awards**For the Year Ended December 31, 2018**

<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	\$ 869 884
TIG grant	09. 447081	76 000
Department of Justice		
Crime Victim Assistance	16.575	289 704
U.S. Department of Health and Human Pass-through from Department on Aging Title III	93.282	<u>39 550</u>
Total Expenditures of Federal Awards		\$ <u>1 275 138</u>

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards
December 31, 2018****Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Blue Ridge Legal Services, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Legal Services Corporation Audit Guide and Compliance Supplements. Because the Schedule presents only a selected portion of the operations of Blue Ridge Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of 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 the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Blue Ridge Legal Services, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the financial statements

A reconciliation between the schedule of functional expenses and the schedule of expenditures of federal awards is as follows:

Total program expenses	\$ 2 813 104
Less non-federal award program expenses:	<u>1 537 966</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1 275 138</u></u>

**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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated March 21, 2019.

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 21, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Blue Ridge Legal Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular 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, 2018. Blue Ridge Legal Services, Inc.'s 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 in accordance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

Report on Internal Control Over Compliance

Management of Blue Ridge Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. 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 21, 2019

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018**

A - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		<u>Unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>Name of federal program</u>	<u>CDFA Number</u>
Legal Services Corporation	
Basic Field Grant recipient # 447081	9.447081

Dollar threshold used to distinguish between Type A and Type B Programs	<u>750,000</u>
Auditee qualified as low risk?	<u> </u> yes <u> X </u> no

B. Findings - financial statement audit

None

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

None