

BLUE RIDGE LEGAL SERVICES, INC.

**Financial Statements
and
Accompanying Information
for the year ended
December 31, 2023
(with comparative financial information
for the year ended December 31, 2022)**

BLUE RIDGE LEGAL SERVICES, INC.

Contents

| | Page |
|---|-------------|
| Independent Auditor's Report | 1 - 2 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 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</u> <u>Auditing Standards</u> | 17 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 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

Opinion

We have audited the accompanying financial statements of Blue Ridge Legal Services, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In 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, 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Ridge Legal Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Ridge Legal Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Blue Ridge Legal Services, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Ridge Legal Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Blue Ridge Legal Services Inc.'s 2022 financial statements, and our report dated March 30, 2023, 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, 2022, 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 29, 2024, 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 29, 2024

BLUE RIDGE LEGAL SERVICES, INC.

-3-

Statement of Financial Position**December 31, 2023****(With Comparative Financial Information for the Year Ended December 31, 2022)**

| Assets | 2023 | 2022 |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash | \$ 524,924 | \$ 1,121,389 |
| Cash in escrow, client deposits | 42,025 | 3,520 |
| Certificates of deposits | 954,051 | 208,074 |
| Accounts receivables | 130,119 | 154,260 |
| Prepaid expenses | 13,895 | 3,710 |
| Total current assets | <u>1,665,014</u> | <u>1,490,953</u> |
| Property and equipment | | |
| Land | 6,724 | 6,724 |
| Building and improvements | 134,125 | 134,125 |
| Furniture, fixtures and equipment | 242,222 | 242,222 |
| Furniture, fixtures and equipment - Non LSC | 49,941 | 49,941 |
| Law library | 18,695 | 18,695 |
| | <u>451,707</u> | <u>451,707</u> |
| Less accumulated depreciation | 382,594 | 377,813 |
| Non-LSC depreciation | 49,941 | 49,941 |
| | <u>432,535</u> | <u>427,754</u> |
| Total property and equipment | <u>19,172</u> | <u>23,953</u> |
| Other assets | | |
| Lease right of use | 255,698 | 314,300 |
| Deposits | 4,516 | 5,397 |
| Total other assets | <u>260,214</u> | <u>319,697</u> |
| Total assets | <u>\$ 1,944,400</u> | <u>\$ 1,834,603</u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable | \$ 25,148 | \$ 28,806 |
| Accrued annual leave | 114,101 | 109,882 |
| Deferred revenue | 16,000 | 31,970 |
| Refundable advances - LSC | - | 6,817 |
| Lease liabilities - short term | 64,622 | 76,388 |
| Client deposits | 42,025 | 3,520 |
| Total current liabilities | <u>261,896</u> | <u>257,383</u> |
| Other liabilities | | |
| Lease liabilities | 189,005 | 237,912 |
| Net assets | | |
| Without donor restrictions | 1,493,499 | 1,339,308 |
| With donor restrictions | - | - |
| Total net assets | <u>1,493,499</u> | <u>1,339,308</u> |
| Total liabilities and net assets | <u>\$ 1,944,400</u> | <u>\$ 1,834,603</u> |

See notes to financial statements.

BLUE RIDGE LEGAL SERVICES, INC.

-4-

Statement of Activities**For the Year Ended December 31, 2023****(With Summarized Financial Information for the Year Ended December 31, 2022)**

| | 2023 | | | 2022 |
|--|----------------------------------|-------------------------------|----------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Support and revenue | | | | |
| Federal grants | \$ - | \$ 1,686,058 | \$ 1,686,058 | \$ 1,672,878 |
| State grants | 1,202,962 | - | 1,202,962 | 977,067 |
| Other support | 193,843 | - | 193,843 | 447,365 |
| Investment income | 40,356 | - | 40,356 | 6,930 |
| Donated services | 698,358 | - | 698,358 | 683,419 |
| Contributions | 160,537 | - | 160,537 | 261,896 |
| | <u>2,296,056</u> | <u>1,686,058</u> | <u>3,982,114</u> | <u>4,049,555</u> |
| Net assets released from expiration of time or purpose restrictions | <u>1,686,058</u> | <u>(1,686,058)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>3,982,114</u> | <u>-</u> | <u>3,982,114</u> | <u>4,049,555</u> |
| Expenses | | | | |
| Program service | | | | |
| Legal assistance | 3,517,604 | - | 3,517,604 | 3,553,418 |
| Support services | | | | |
| Management and general | 271,367 | - | 271,367 | 311,810 |
| Fund-raising expenses | 38,952 | - | 38,952 | 53,487 |
| | <u>3,827,923</u> | <u>-</u> | <u>3,827,923</u> | <u>3,918,715</u> |
| Total expenses | <u>3,827,923</u> | <u>-</u> | <u>3,827,923</u> | <u>3,918,715</u> |
| Change in net assets | 154,191 | - | 154,191 | 130,840 |
| Net assets at beginning of year | <u>1,339,308</u> | <u>-</u> | <u>1,339,308</u> | <u>1,208,468</u> |
| Net assets at end of year | \$ <u><u>1,493,499</u></u> | \$ <u><u>-</u></u> | \$ <u><u>1,493,499</u></u> | \$ <u><u>1,339,308</u></u> |

See notes to financial statements.

Statement of Functional Expenses

For the Year Ended December 31, 2023

(With Comparative Financial Information for the Year Ended December 31, 2022)

| 12/31/2023 | Program Services | Management and General | Fundraising Expenses | Total Expenses |
|---------------------------------------|---------------------|---------------------------|-------------------------|---------------------|
| Lawyer wages | \$ 1,403,107 | \$ 12,789 | \$ 13,053 | \$ 1,428,949 |
| Paralegal wages | 13,152 | - | - | 13,152 |
| Non-legal wages | 474,367 | 145,684 | 13,709 | 633,760 |
| Donated services and equipment | 698,358 | - | - | 698,358 |
| Employee benefits | 589,820 | 86,043 | 7,382 | 683,245 |
| Travel | 22,285 | 2,782 | 2,752 | 27,819 |
| Rent | 66,716 | 7,644 | - | 74,360 |
| Utilities and telephone | 48,215 | 5,385 | 60 | 53,660 |
| Office supplies, postage and printing | 25,566 | 2,988 | 1,261 | 29,815 |
| Advertising | 2,713 | - | - | 2,713 |
| Insurance | 14,625 | 925 | - | 15,550 |
| Professional dues and fees | 24,694 | - | - | 24,694 |
| Repairs and maintenance | 51,897 | 1,454 | - | 53,351 |
| Litigation expense | 1,165 | - | - | 1,165 |
| Equipment rental | 3,985 | 385 | - | 4,370 |
| Training and conferences | 3,358 | - | 661 | 4,019 |
| Independent contracts | 22,577 | 4,585 | - | 27,162 |
| Library materials | 26,282 | - | - | 26,282 |
| Miscellaneous | 20,430 | 215 | 74 | 20,719 |
| Depreciation | 4,292 | 488 | - | 4,780 |
| Total expenses | \$ 3,517,604 | \$ 271,367 | \$ 38,952 | \$ 3,827,923 |
| | | | | |
| 12/31/2022 | Program Services | Management and General | Fundraising Expenses | Total Expenses |
| Lawyer wages | \$ 1,246,521 | \$ 139,074 | \$ 5,151 | \$ 1,390,746 |
| Paralegal wages | 52,596 | - | - | 52,596 |
| Non-legal wages | 629,139 | 73,708 | 34,151 | 736,998 |
| Donated services and equipment | 683,419 | - | - | 683,419 |
| Employee benefits | 616,896 | 68,090 | 12,577 | 697,563 |
| Travel | 21,212 | 515 | 285 | 22,012 |
| Rent | 70,864 | 7,874 | - | 78,738 |
| Utilities and telephone | 46,193 | 5,168 | 325 | 51,686 |
| Office supplies, postage and printing | 31,412 | 3,601 | 998 | 36,011 |
| Advertising | 2,073 | - | - | 2,073 |
| Insurance | 14,251 | 958 | - | 15,209 |
| Professional dues and fees | 25,017 | - | - | 25,017 |
| Repairs and maintenance | 35,816 | 1,585 | - | 37,401 |
| Litigation expense | 566 | - | - | 566 |
| Equipment rental | 5,292 | 658 | - | 5,950 |
| Training and conferences | 6,689 | - | - | 6,689 |
| Independent contracts | 16,369 | 8,548 | - | 24,917 |
| Library materials | 37,859 | - | - | 37,859 |
| Miscellaneous | 5,586 | 1,511 | - | 7,097 |
| Depreciation | 5,648 | 520 | - | 6,168 |
| Total expenses | \$ 3,553,418 | \$ 311,810 | \$ 53,487 | \$ 3,918,715 |

See notes to financial statements.

Statement of Cash Flows

For the Year Ended December 31, 2023

(With Comparative Financial Information for the Year Ended December 31, 2022)

| Cash flows from operating activities | <u>2023</u> | <u>2022</u> |
|--|--------------------------|----------------------------|
| Change in net assets | \$ 154,191 | \$ 155,860 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities | | |
| Depreciation | 4,780 | 6,168 |
| Amortization | 58,602 | - |
| (Increase) decrease in accounts receivables | 24,141 | 153,207 |
| (Increase) decrease in prepaid expenses | (9,305) | 13 |
| Increase (decrease) in accounts payable | (3,655) | 5,157 |
| Increase (decrease) in deferred revenue | (22,787) | (63,115) |
| Increase (decrease) in accrued vacation | 4,218 | (26,389) |
| | <u>210,185</u> | <u>230,901</u> |
| Net cash provided by (used in) operations | | |
| Cash flows provided by (used in) investing activities | | |
| Additions to investments | (745,977) | (710) |
| Additions to property and equipment | - | - |
| | <u>(745,977)</u> | <u>(710)</u> |
| Net cash provided by (used in) investing activities | | |
| Cash flows provided by (used in) financing activities | | |
| Payments on lease liability | (60,673) | - |
| | <u>(60,673)</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in cash and cash equivalents | (596,465) | 230,191 |
| Cash and cash equivalents, beginning of year | <u>1,121,389</u> | <u>891,198</u> |
| Cash and cash equivalents, end of year | \$ <u><u>524,924</u></u> | \$ <u><u>1,121,389</u></u> |

See notes to financial statements.

Notes to Financial Statements December 31, 2023

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.

**Notes to Financial Statements
December 31, 2023****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 | 35 % |
| Legal Services Corporation of Virginia | 36 % |

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.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of year end. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

**Notes to Financial Statements
December 31, 2023****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 \$2,713.

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>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Building and improvements | \$ 134 125 | \$ 133 021 |
| Furniture, fixtures, library and equipment | <u>298 410</u> | <u>294 733</u> |
| | <u>\$ 432 535</u> | <u>\$ 427 754</u> |

Non - LSC property consisted of \$49,941 equipment and is fully depreciated.

Depreciation expense aggregated \$4,780 in the current year.

**Notes to Financial Statements
December 31, 2023**

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, 2023:

| | | |
|--------------------------------|----------------|-------------------------|
| LSC basic field grant | | \$1 163 760 |
| LSC-PAI requirement | | <u>12.5%</u> |
| Total LSC support for PAI | | 145 470 |
| Total PAI expenses | 810 340 | |
| Less donated services | <u>650 941</u> | |
| Total net expenditures for PAI | | <u>159 399</u> |
| Meets PAI requirement | | \$ <u><u>13 929</u></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 | \$ <u><u>1 202 962</u></u> |
| Federal awards | |
| Valley Program (Title III-Older Americans Act) | \$ 27 533 |
| Legal Service Corporation of Virginia - ARPA | 89 786 |
| Shenandoah Area (Title III-Older Americans Act) | 7 147 |
| Local Office on Aging - Roanoke (Title III-Older Americans Act) | 12 042 |
| Department of Justice - VOCA Grant | 342 030 |
| SSVF | 4 810 |
| CDBG and CAPSAW | 43 760 |
| Legal Services Corporation | <u>1 180 325</u> |
| Total federal support | \$ <u><u>1 707 433</u></u> |

**Notes to Financial Statements
December 31, 2023****Note 4 - Concentration of funding (concluded)**

| Other grants and contributions | |
|---|--------------------------|
| City of Harrisonburg | \$ 8 300 |
| Clarke County | 1 500 |
| Rockbridge County | 3 465 |
| Rockingham County | 2 500 |
| City of Roanoke | 21 023 |
| Warren County | 4 300 |
| Roanoke County | 1 000 |
| Bath County | 759 |
| Alleghany County | 2 917 |
| Page County | 3 988 |
| City of Salem | 2 054 |
| Shenandoah County | 1 000 |
| City of Covington | 1 235 |
| City of Buena Vista | 1 248 |
| Other income | 69 667 |
| United Way agencies | <u>68 887</u> |
| Total support from other grants and contributions | \$ <u><u>193 843</u></u> |

Note 5 - Net assets with donor restrictions

There were no net assets with donor restrictions as of December 31, 2023.

Net assets with donor restrictions released due to purpose totaled \$1,686,058 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, 2022, from which the summarized information was derived.

**Notes to Financial Statements
December 31, 2023****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 \$121,149 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, Inc. 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 and investments 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:

| | | | |
|---------------------------|----|-------------------------|----------------------------|
| | | <u>2023</u> | <u>2022</u> |
| Cash and cash equivalents | \$ | 524 924 | \$ 1 121 389 |
| Certificates of deposits | | 954 051 | 208 074 |
| Accounts receivable | | <u>130 119</u> | <u>154 260</u> |
| Less: donor restrictions | | <u>-</u> | <u>-</u> |
| | \$ | <u><u>1 609 094</u></u> | <u><u>\$ 1 483 723</u></u> |

**Notes to Financial Statements
December 31, 2023****Note 12 - Commitments**

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The update requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standards require entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments. The Organization adopted the standard during 2022, under the modified retrospective approach. For prior periods, the Organization elected a package of practical expedients that together allows an entity to not reassess whether a contract is or contains a lease, lease classification and direct costs. The adoption of Topic 842 resulted in the recording of an operating right of use asset and corresponding liability on the Organization’s Statement of Financial Position.

| | |
|--|-------------------|
| Operating lease - right of use asset | <u>\$ 255 698</u> |
| Lease liability - operating lease, current | <u>\$ 64 622</u> |
| Lease liability - operating lease, non-current | <u>\$ 189 005</u> |

The Organization leases its Winchester office space under a ten year lease ending in 2029.

The Staunton offices are rented at \$360 per month under a one year lease.

The Roanoke office signed a five-year lease in 2020 for office space with a payment of \$2,075 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 two year lease ending December 31, 2024 with minimum monthly lease payment of \$1,250 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:

| | |
|------------|-------------------|
| 2024 | \$ 77 304 |
| 2025 | 60 562 |
| 2026 | 40 751 |
| 2027 | 41 158 |
| 2028 | 41 570 |
| Thereafter | <u>31 410</u> |
| | 292 755 |
| Discount | <u>(39 128)</u> |
| Total | <u>\$ 253 627</u> |

Amortization expense under these leases totaled \$58,602 in the current year.

Note 13 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 29, 2024 the date the financial statements were issued.

Accompanying Information

BLUE RIDGE LEGAL SERVICES, INC.

Statement of Support, Revenue, and Expenses

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

| | 2023 | | | | | | | 2023 Total | 2022 Total |
|--|----------------------------|-----------------|---------------|--|---------------|---------------------|------------------------------|---------------------|---------------------|
| | Legal Services Corporation | | | Unrestricted | | | Property and Equipment | | |
| | Basic | PAI | TIG Grants | Legal Services Corporation of Virginia | United Way | Other | | | |
| Support and revenue | | | | | | | | | |
| Grants and contracts | \$ 1,018,290 | \$ 145,470 | 16,565 | \$ 1,202,962 | \$ 68,887 | \$ 621,711 | \$ - | \$ 3,073,885 | \$ 3,000,998 |
| Investment income | 2,502 | - | - | - | - | 37,854 | - | 40,356 | 6,930 |
| Donated services and equipment | - | 650,941 | - | - | - | 47,417 | - | 698,358 | 683,419 |
| Contributions | - | - | - | - | - | 160,537 | - | 160,537 | 261,896 |
| Other income | - | - | - | - | - | 25,543 | - | 25,543 | 96,312 |
| Total support and revenue | 1,020,792 | 796,411 | 16,565 | 1,202,962 | 68,887 | 893,062 | - | 3,998,679 | 4,049,555 |
| Expenses | | | | | | | | | |
| Lawyer wages | 379,167 | 12,551 | 300 | 567,462 | 30,579 | 438,890 | - | 1,428,949 | 1,390,746 |
| Paralegal wages | 5,350 | - | - | 5,799 | 263 | 1,740 | - | 13,152 | 52,596 |
| Non-legal wages | 247,751 | 93,647 | 447 | 217,455 | 14,675 | 59,785 | - | 633,760 | 736,998 |
| Donated services and equipment | - | 650,941 | - | - | - | 47,417 | - | 698,358 | 683,419 |
| Employee benefits | 247,918 | 35,039 | 143 | 268,843 | 16,665 | 114,637 | - | 683,245 | 697,563 |
| Travel | 8,193 | 702 | - | 14,269 | 556 | 4,099 | - | 27,819 | 20,012 |
| Rent | 40,004 | - | - | 25,189 | 1,529 | 7,638 | - | 74,360 | 78,738 |
| Utilities and telephone | 23,031 | - | - | 18,551 | 1,073 | 11,005 | - | 53,660 | 51,686 |
| Office supplies, postage and printing | - | 15,394 | - | 10,674 | 596 | 3,151 | - | 29,815 | 36,011 |
| Advertising | 712 | - | - | 1,731 | 54 | 216 | - | 2,713 | 2,073 |
| Insurance | 6,097 | 780 | - | 6,086 | 311 | 2,276 | - | 15,550 | 15,209 |
| Professional dues and fees | 6,058 | - | - | 15,268 | 283 | 3,085 | - | 24,694 | 25,017 |
| Repairs and maintenance | 12,982 | - | 15,675 | 20,643 | 1,067 | 2,984 | - | 53,351 | 37,401 |
| Litigation expense | - | 890 | - | 25 | - | 250 | - | 1,165 | 566 |
| Equipment rental | 1,994 | - | - | 1,793 | 87 | 496 | - | 4,370 | 5,950 |
| Training and conferences | 1,042 | - | - | 2,397 | 80 | 500 | - | 4,019 | 6,689 |
| Independent contracts | 11,627 | 396 | - | 10,254 | 543 | 4,342 | - | 27,162 | 24,917 |
| Library materials | 10,086 | - | - | 11,553 | 526 | 4,117 | - | 26,282 | 37,859 |
| Miscellaneous | 4,851 | - | - | 8,255 | - | 7,613 | - | 20,719 | 7,098 |
| Depreciation | - | - | - | - | - | - | 4,780 | 4,780 | 6,168 |
| Total expenses | 1,006,863 | 810,340 | 16,565 | 1,206,247 | 68,887 | 714,241 | 4,780 | 3,827,923 | 3,918,716 |
| Change in net assets | 13,929 | (13,929) | - | (3,285) | - | 178,821 | (4,780) | 170,756 | 130,840 |
| Net assets at beginning of year | - | - | - | 118,377 | - | 1,196,979 | 23,952 | 1,339,308 | 1,208,468 |
| Add (deduct) acquisition of property | - | - | - | - | - | - | - | - | - |
| Transfers | (13,929) | 13,929 | - | - | - | - | - | - | - |
| Net assets at end of year | \$ - | \$ - | \$ - | \$ 115,092 | \$ - | \$ 1,375,800 | \$ 19,172 | \$ 1,510,064 | \$ 1,339,308 |

BLUE RIDGE LEGAL SERVICES, INC.

-15-

Schedule of Expenditures of Federal Awards**For the Year Ended December 31, 2023**

| <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 | \$ 1 163 760 |
| TIG grants | 09. 447081 | 16 565 |
| Department of Justice | | |
| Crime Victim Assistance | 16.575 | 342 030 |
| Department of Treasury | | |
| Corona-virus State and Local Fiscal Recovery Funds | 21.027 | 133 546 |
| U.S. Department of Veteran Affairs | | |
| VA supportive services for veteran families | 64.033 | 4 810 |
| U.S. Department of Health and Human | | |
| Pass-through from Department on Aging Title III | 93.282 | <u>46 722</u> |
| Total Expenditures of Federal Awards | | \$ <u>1 707 433</u> |

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards
December 31, 2023**

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, 2023. 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 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 a follows:

| | |
|---|---------------------|
| Total program expenses | \$ 3 827 923 |
| Less non-federal award program expenses: | <u>2 120 490</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ 1 707 433</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, 2023, 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 29, 2024.

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.

Report on 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 29, 2024

**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
Opinion on Each Major Federal Program**

We have audited Blue Ridge Legal Services, Inc.’s compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Blue Ridge Legal Services, Inc.’s 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Ridge Legal Service, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Blue Ridge Legal Service, Inc.’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Blue Ridge Legal Service, Inc.’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Blue Ridge Legal Service, Inc.’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Blue Ridge Legal Service, Inc.’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Blue Ridge Legal Service, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Blue Ridge Legal Service, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Blue Ridge Legal Service, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 29, 2024

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

A - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____yes Xno
Significant deficiency(ies) identified? _____yes Xnone reported
Noncompliance material to financial statements noted? _____yes Xno

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____yes Xno
Significant deficiency(ies) identified? _____yes Xnone reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with section 2 CFR-200.516(a) _____yes Xno

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 750,000

Auditee qualified as low risk? _____yes Xno

B. Findings - financial statement audit

None

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

None