

**BLUE RIDGE LEGAL SERVICES, INC.**

**Financial Statements  
and  
Accompanying Information  
for the year ended  
December 31, 2025  
(with comparative financial information  
for the year ended December 31, 2024)**

# 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

**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, 2025, 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, 2025, 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 2024 financial statements, and our report dated March 24, 2025, 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, 2025 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 26, 2026, on our consideration of Blue Ridge Legal Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Ridge Legal Services, Inc.'s internal control over financial reporting and compliance.

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

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

Richmond, Virginia

March 26, 2026

**BLUE RIDGE LEGAL SERVICES, INC.**

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**Statement of Financial Position****December 31, 2025****(With Comparative Financial Information for the Year Ended December 31, 2024)**

<b>Assets</b>	<b>2025</b>	<b>2024</b>
<b>Current Assets</b>		
Cash	\$ 1,370,669	\$ 1,115,903
Cash in escrow, client deposits	3,479	6,871
Certificates of deposits	497,893	475,342
Accounts receivables	80,803	47,254
Prepaid expenses	3,964	3,691
<b>Total current assets</b>	<u>1,956,808</u>	<u>1,649,061</u>
<b>Property and equipment</b>		
Land	6,724	6,724
Building and improvements	134,125	134,125
Furniture, fixtures and equipment	273,772	273,772
Furniture, fixtures and equipment - Non LSC	49,941	49,941
Law library	18,695	18,695
	<u>483,257</u>	<u>483,257</u>
Less accumulated depreciation	398,914	390,847
Non-LSC depreciation	49,941	49,941
	<u>448,855</u>	<u>440,788</u>
<b>Total property and equipment</b>	<u>34,402</u>	<u>42,469</u>
<b>Other assets</b>		
Lease right of use	190,988	259,497
Deposits	12,870	12,870
<b>Total other assets</b>	<u>203,858</u>	<u>272,367</u>
<b>Total assets</b>	<u>\$ 2,195,068</u>	<u>\$ 1,963,897</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,815	\$ 11,984
Accrued annual leave	124,501	122,491
Deferred revenue	25,200	21,480
LSC - refundable advances	-	-
Lease liabilities - short term	58,651	75,961
Client deposits	3,479	6,871
<b>Total current liabilities</b>	<u>221,646</u>	<u>238,787</u>
<b>Other liabilities</b>		
Lease liabilities	132,549	178,478
<b>Net assets</b>		
Without donor restrictions	1,840,873	1,546,632
With donor restrictions	-	-
<b>Total net assets</b>	<u>1,840,873</u>	<u>1,546,632</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,195,068</u>	<u>\$ 1,963,897</u>

See notes to financial statements.

**BLUE RIDGE LEGAL SERVICES, INC.**

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**Statement of Activities****For the Year Ended December 31, 2025****(With Summarized Financial Information for the Year Ended December 31, 2024)**

	<b>2025</b>			<b>2024</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and revenue</b>				
Federal grants	\$ -	\$ 1,419,051	\$ 1,419,051	\$ 1,460,983
State grants	1,676,639	-	1,676,639	1,410,029
Other support	297,184	-	297,184	173,262
Investment income	62,988	-	62,988	67,063
Donated services	740,073	-	740,073	543,366
Contributions	264,914	-	264,914	196,485
	<u>3,041,798</u>	<u>1,419,051</u>	<u>4,460,849</u>	<u>3,851,188</u>
Net assets released from expiration of time or purpose restrictions	<u>1,419,051</u>	<u>(1,419,051)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>4,460,849</u>	<u>-</u>	<u>4,460,849</u>	<u>3,851,188</u>
<b>Expenses</b>				
Program service				
Legal assistance	3,697,004	-	3,697,004	3,377,365
Support services				
Management and general	400,315	-	400,315	355,502
Fund-raising expenses	69,289	-	69,289	65,188
	<u>4,166,608</u>	<u>-</u>	<u>4,166,608</u>	<u>3,798,055</u>
<b>Total expenses</b>	<u>4,166,608</u>	<u>-</u>	<u>4,166,608</u>	<u>3,798,055</u>
<b>Change in net assets</b>	294,241	-	294,241	53,133
<b>Net assets at beginning of year</b>	<u>1,546,632</u>	<u>-</u>	<u>1,546,632</u>	<u>1,493,499</u>
<b>Net assets at end of year</b>	\$ <u><u>1,840,873</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,840,873</u></u>	\$ <u><u>1,546,632</u></u>

See notes to financial statements.

**Statement of Functional Expenses**

**For the Year Ended December 31, 2025**

**(With Comparative Financial Information for the Year Ended December 31, 2024)**

<b>12/31/2025</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Lawyer wages	\$ 1,531,820	\$ 13,757	\$ 17,634	\$ 1,563,211
Paralegal wages	8,413	-	-	8,413
Non-legal wages	481,593	196,213	28,398	706,204
Donated services and equipment	709,213	30,860	-	740,073
Employee benefits	637,372	119,568	15,651	772,591
Travel	25,295	-	249	25,544
Rent	81,259	5,269	-	86,528
Utilities and telephone	56,436	-	-	56,436
Office supplies, postage and printing	30,359	28	2,004	32,391
Insurance	4,342	10,364	-	14,706
Professional dues and fees	13,366	7,631	-	20,997
Repairs and maintenance	36,743	-	-	36,743
Litigation expense	1,100	-	-	1,100
Equipment rental	2,984	-	-	2,984
Training and conferences	2,871	-	322	3,193
Independent contracts	17,118	12,765	-	29,883
Library materials	32,804	1,807	-	34,611
Miscellaneous	15,848	2,053	5,031	22,932
Depreciation	8,068	-	-	8,068
<b>Total expenses</b>	<b>\$ 3,697,004</b>	<b>\$ 400,315</b>	<b>\$ 69,289</b>	<b>\$ 4,166,608</b>

<b>12/31/2024</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Lawyer wages	\$ 1,415,750	\$ 13,320	\$ 17,933	\$ 1,447,003
Paralegal wages	12,629	-	-	12,629
Non-legal wages	460,720	188,900	28,847	678,467
Donated services and equipment	543,366	-	-	543,366
Employee benefits	644,138	70,777	16,373	731,288
Travel	28,649	1,045	105	29,799
Rent	59,845	15,445	-	75,290
Utilities and telephone	49,644	115	65	49,824
Office supplies, postage and printing	29,186	602	1,588	31,376
Advertising	310	-	-	310
Insurance	15,866	2,654	-	18,520
Professional dues and fees	19,512	7,646	-	27,158
Repairs and maintenance	35,697	38,491	-	74,188
Litigation expense	1,819	-	-	1,819
Equipment rental	3,641	-	-	3,641
Training and conferences	3,413	-	45	3,458
Independent contracts	7,833	10,680	-	18,513
Library materials	27,430	4,489	-	31,919
Miscellaneous	9,664	1,338	232	11,234
Depreciation	8,253	-	-	8,253
<b>Total expenses</b>	<b>\$ 3,377,365</b>	<b>\$ 355,502</b>	<b>\$ 65,188</b>	<b>\$ 3,798,055</b>

See notes to financial statements.

**Statement of Cash Flows**

**For the Year Ended December 31, 2025**

**(With Comparative Financial Information for the Year Ended December 31, 2024)**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 294,241	\$ 53,133
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	8,068	8,253
Amortization	68,509	65,792
(Increase) decrease in accounts receivables	(33,549)	82,866
(Increase) decrease in prepaid expenses	(273)	10,204
(Increase) decrease in deposits	-	(8,354)
Increase (decrease) in accounts payable	(2,170)	(13,165)
Increase (decrease) in deferred revenue	3,720	5,480
Increase (decrease) in accrued vacation	2,011	8,390
	<u>340,557</u>	<u>212,599</u>
<b>Net cash provided by (used in) operations</b>		
<b>Cash flows provided by (used in) investing activities</b>		
Additions to investments	(22,551)	-
Investment sales	-	474,602
Additions to property and equipment	-	(31,550)
	<u>(22,551)</u>	<u>443,052</u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Cash flows provided by (used in) financing activities</b>		
Payments on lease liability	(63,240)	(64,672)
	<u>(63,240)</u>	<u>(64,672)</u>
<b>Net cash provided by (used in) financing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	254,766	590,979
<b>Cash and cash equivalents, beginning of year</b>	<u>1,115,903</u>	<u>524,924</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u><u>1,370,669</u></u>	\$ <u><u>1,115,903</u></u>

See notes to financial statements.

## **Notes to Financial Statements December 31, 2025**

### **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, 2025****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	45 %

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, 2025**

**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 \$0.

*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>2025</u>	<u>2024</u>
Building and improvements	\$ 134 125	\$ 134 125
Furniture, fixtures, library and equipment	<u>314 730</u>	<u>306 663</u>
	<u>\$ 448 855</u>	<u>\$ 440 788</u>

Non - LSC property consisted of \$49,941 equipment and is fully depreciated. BRLS did not expend any LSC funds for acquisition costs, financing, or capital improvements of real estate in the current year.

Depreciation expense aggregated \$8,068 in the current year.

**Notes to Financial Statements  
December 31, 2025**

**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, 2025:

LSC basic field grant		\$1 290 767
LSC-PAI requirement		<u>12.5%</u>
Total LSC support for PAI		161 346
Total PAI expenses	891 336	
Less donated services	<u>713 490</u>	
Total net expenditures for PAI		<u>177 846</u>
Meets PAI requirement		\$ <u><u>16 500</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>1 676 639</u></u>
<b>Federal awards</b>		
Valley Program (Title III-Older Americans Act)	\$	31 736
Shenandoah Area (Title III-Older Americans Act)		7 769
Local Office on Aging - Roanoke (Title III-Older Americans Act)		29 145
Department of Housing and Urban Development		59 634
Legal Services Corporation		<u>1 290 767</u>
Total federal support	\$	<u><u>1 419 051</u></u>

**Notes to Financial Statements  
December 31, 2025****Note 4 - Concentration of funding (concluded)**

<b>Other grants and contributions</b>	
City of Harrisonburg	\$ 8 222
Clarke County	2 337
Rockbridge County	3 465
City of Roanoke	21 000
Warren County	3 000
Bath County	1 383
Alleghany County	3 500
Page County	7 881
City of Salem	4 000
Shenandoah County	1 000
City of Covington	1 235
City of Buena Vista	1 248
Other income	229 415
United Way agencies	<u>9 498</u>
Total support from other grants and contributions	\$ <u><u>297 184</u></u>

**Note 5 - Net assets with donor restrictions**

There were no net assets with donor restrictions as of December 31, 2025.

Net assets with donor restrictions released due to purpose totaled \$1,419,051 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, 2024, from which the summarized information was derived.

**Notes to Financial Statements  
December 31, 2025**

**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 \$119,197 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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1 370 669	\$ 1 115 903
Certificates of deposits	497 893	475 342
Accounts receivable	<u>80 803</u>	<u>47 254</u>
Less: donor restrictions	<u>-</u>	<u>-</u>
	<u>\$ 1 949 365</u>	<u>\$ 1 638 499</u>

**Notes to Financial Statements  
December 31, 2025****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>\$ 190 988</u>
Lease liability - operating lease, current	<u>\$ 58 651</u>
Lease liability - operating lease, non-current	<u>\$ 132 549</u>

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

The Staunton offices are rented at \$370 per month under a one year lease.

The Roanoke office is currently operating on a month to month basis with a monthly payment of \$2,247. 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 forty-eight month lease ending January 30, 2029 with the monthly lease payment of \$1,400 with a \$100 increase each year. 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:

2026	\$ 58 651
2027	61 258
2028	60 870
2029	<u>33 111</u>
	212 890
Discount	<u>( 21 690)</u>
Total	<u>\$ 191 200</u>

Amortization expense under these leases totaled \$65,792 in the current year. Rent expense for the year totaled \$86,528.

**Note 13 - Subsequent events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 26, 2026 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, 2025**

**(With Summarized Financial Information for the Year Ended December 31, 2024)**

	2025 Unrestricted						2025 Total	2024 Total
	Legal Services Corporation Basic	Legal Services Corporation of PAI	Legal Services Corporation of Virginia	United Way	Other	Property and Equipment		
<b>Support and revenue</b>								
Grants and contracts	\$ 1,129,421	\$ 161,346	\$ 1,676,639	\$ 9,498	\$ 379,939	\$ -	\$ 3,356,843	\$ 3,036,684
Investment income	2,849	-	-	-	60,139	-	62,988	67,063
Donated services and equipment	-	713,490	-	-	26,583	-	740,073	543,366
Contributions	-	-	-	-	264,914	-	264,914	196,485
Other income	15,535	-	-	-	20,496	-	36,031	7,590
<b>Total support and revenue</b>	<b>1,147,805</b>	<b>874,836</b>	<b>1,676,639</b>	<b>9,498</b>	<b>752,071</b>	<b>-</b>	<b>4,460,849</b>	<b>3,851,188</b>
<b>Expenses</b>								
Lawyer wages	493,789	13,308	870,066	4,547	181,501	-	1,563,211	1,447,003
Paralegal wages	2,536	32	4,577	-	1,268	-	8,413	12,629
Non-legal wages	258,791	103,507	284,447	2,511	56,948	-	706,204	678,467
Donated services and equipment	-	713,490	-	-	26,583	-	740,073	543,366
Employee benefits	257,945	39,728	394,091	2,440	78,387	-	772,591	731,288
Travel	-	980	15,390	-	9,174	-	25,544	29,799
Rent	35,614	4,215	29,517	-	17,182	-	86,528	75,290
Utilities and telephone	20,339	2,745	21,533	-	11,819	-	56,436	49,824
Office supplies, postage and printing	19,989	7,241	8,255	-	(3,094)	-	32,391	31,376
Advertising	-	-	-	-	-	-	-	310
Insurance	5,367	722	6,628	-	1,989	-	14,706	18,520
Professional dues and fees	-	-	15,764	-	5,233	-	20,997	27,158
Repairs and maintenance	10,958	1,745	16,060	-	7,980	-	36,743	74,188
Litigation expense	320	455	325	-	-	-	1,100	1,819
Equipment rental	1,268	117	1,066	-	533	-	2,984	3,641
Training and conferences	396	198	2,347	-	252	-	3,193	3,458
Independent contracts	7,931	1,514	8,568	-	11,870	-	29,883	18,513
Library materials	12,140	1,339	13,785	-	7,347	-	34,611	31,919
Miscellaneous	3,922	-	7,500	-	11,510	-	22,932	11,234
Depreciation	-	-	-	-	-	8,068	8,068	8,253
<b>Total expenses</b>	<b>1,131,305</b>	<b>891,336</b>	<b>1,699,919</b>	<b>9,498</b>	<b>426,482</b>	<b>8,068</b>	<b>4,166,608</b>	<b>3,798,055</b>
<b>Change in net assets</b>	<b>16,500</b>	<b>(16,500)</b>	<b>(23,280)</b>	<b>-</b>	<b>325,589</b>	<b>(8,068)</b>	<b>294,241</b>	<b>53,133</b>
<b>Net assets at beginning of year</b>	<b>-</b>	<b>-</b>	<b>69,230</b>	<b>-</b>	<b>1,434,933</b>	<b>42,469</b>	<b>1,546,632</b>	<b>1,493,499</b>
Add ( deduct) acquisition of property	-	-	-	-	-	-	-	-
Transfers	(16,500)	16,500	-	-	-	-	-	-
<b>Net assets at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,950</b>	<b>\$ -</b>	<b>\$ 1,760,522</b>	<b>\$ 34,401</b>	<b>\$ 1,840,873</b>	<b>\$ 1,546,632</b>

**BLUE RIDGE LEGAL SERVICES, INC.**

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**Schedule of Expenditures of Federal Awards****For the Year Ended December 31, 2025**

<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	\$ 1 290 767
Department of Housing and Urban Development Pass-through from Central Virginia Legal Aid Society Eviction Protection Grant Program	14.537	59 634
U.S. Department of Health and Human Pass-through from Department on Aging Title III	93.282	<u>68 650</u>
Total Expenditures of Federal Awards		\$ <u>1 419 051</u>

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2025**

**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, 2025. 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 15 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	\$ 4 166 608
Less non-federal award program expenses:	<u>2 747 557</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1 419 051</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, 2025, 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 26, 2026.

### **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 26, 2026

**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, 2025. 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. 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, 2025.

***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 26, 2026

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2025**

**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  X no  
Significant deficiency(ies) identified? \_\_\_\_\_yes  X none reported  
Noncompliance material to financial statements noted? \_\_\_\_\_yes  X no

***Federal Awards***

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_yes  X no  
Significant deficiency(ies) identified? \_\_\_\_\_yes  X none 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  X 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 1,000,000

Auditee qualified as low risk?  X yes \_\_\_\_\_no

**B. Findings - financial statement audit**

None

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

None