



PISGAH
LEGAL SERVICES

PISGAH LEGAL SERVICES

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended December 31, 2019 and 2018

PISGAH LEGAL SERVICES

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PISGAH LEGAL SERVICES

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2019	4
Statement of Activities - 2018	5
Statement of Functional Expenses - 2019	6-7
Statement of Functional Expenses - 2018	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-28
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by with the Uniform Guidance	31-33
Schedule of Expenditures of Federal, State, and Other Awards	34-37
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pisgah Legal Services

Report on the Financial Statements

We have audited the accompanying financial statements of Pisgah Legal Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pisgah Legal Services as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and other awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020, on our consideration of Pisgah Legal Services' 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 solely 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 the effectiveness of Pisgah Legal Services' 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 Pisgah Legal Services' internal control over financial reporting and compliance.

CARTER, P.C.

PISGAH LEGAL SERVICES

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 2,321,414	\$ 2,237,394
Restricted	1,766	1,110
Short-term investments	101,884	
Grants and contracts receivable	628,630	673,151
Other receivables	5,258	7,877
Promises to give, current portion	176,906	112,970
Prepaid and deferred expenses, current portion	71,863	94,958
Deposits	400	1,694
Total current assets	3,308,121	3,129,154
Promises to give, net of current portion	13,745	22,745
Prepaid and deferred expenses, net of current portion	30,072	50,198
Endowment investments	976,106	753,956
Beneficial interest in endowment funds	126,874	109,380
Property and equipment	4,347,686	4,476,392
Total assets	\$ 8,802,604	\$ 8,541,825
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$	\$ 30,000
Accounts payable	19,858	19,744
Accrued liabilities	144,060	128,778
Deferred revenue	3,449	3,145
Client and other deposits	1,766	1,710
Total current liabilities	169,133	183,377
Long-term debt, net of current maturities		187,000
Total liabilities	169,133	370,377
Net assets:		
Without donor restrictions	7,338,284	7,189,785
With donor restrictions	1,295,187	981,663
Total net assets	8,633,471	8,171,448
Total liabilities and net assets	\$ 8,802,604	\$ 8,541,825

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenues			
State of North Carolina	\$	\$ 187,925	\$ 187,925
Grants and contracts		3,827,282	3,827,282
Donations and contributions	994,447	495,058	1,489,505
In-kind contributions	836,014		836,014
Rental income, net	24,221		24,221
Special events, net	54,928		54,928
Investment income, net	45,506		45,506
Other income	4,277		4,277
Net assets released from restrictions	<u>4,196,741</u>	<u>(4,196,741)</u>	
Total public support and other revenues	<u>6,156,134</u>	<u>313,524</u>	<u>6,469,658</u>
Expenses			
Program services	4,943,293		4,943,293
Supporting services	<u>1,205,398</u>		<u>1,205,398</u>
Total expenses	<u>6,148,691</u>		<u>6,148,691</u>
Increase in net assets before other gains	<u>7,443</u>	<u>313,524</u>	<u>320,967</u>
Other gains			
Gain on sale of property and equipment	700		700
Net gains on endowment investments	123,414		123,414
Net gains on beneficial interest in endowment funds	<u>16,942</u>		<u>16,942</u>
Total other gains	<u>141,056</u>		<u>141,056</u>
Increase in net assets	148,499	313,524	462,023
Net assets at beginning of year	<u>7,189,785</u>	<u>981,663</u>	<u>8,171,448</u>
Net assets at end of year	<u>\$ 7,338,284</u>	<u>\$ 1,295,187</u>	<u>\$ 8,633,471</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenues			
State of North Carolina	\$	\$ 247,506	\$ 247,506
Grants and contracts		3,496,732	3,496,732
Donations and contributions	1,049,195	262,307	1,311,502
In-kind contributions	1,034,108		1,034,108
Rental income, net	21,462		21,462
Special events, net	52,065		52,065
Investment income, net	35,703		35,703
Other income	300		300
Net assets released from restrictions	<u>4,044,174</u>	<u>(4,044,174)</u>	
Total public support and other revenues	<u>6,237,007</u>	<u>(37,629)</u>	<u>6,199,378</u>
Expenses			
Program services	4,479,420		4,479,420
Supporting services	<u>1,001,815</u>		<u>1,001,815</u>
Total expenses	<u>5,481,235</u>		<u>5,481,235</u>
Increase (decrease) in net assets before other losses	<u>755,772</u>	<u>(37,629)</u>	<u>718,143</u>
Other losses			
Net losses on endowment investments	(58,570)		(58,570)
Net losses on beneficial interest in endowment funds	<u>(8,255)</u>		<u>(8,255)</u>
Total other losses	<u>(66,825)</u>		<u>(66,825)</u>
Increase (decrease) in net assets	688,947	(37,629)	651,318
Net assets at beginning of year	<u>6,500,838</u>	<u>1,019,292</u>	<u>7,520,130</u>
Net assets at end of year	<u>\$ 7,189,785</u>	<u>\$ 981,663</u>	<u>\$ 8,171,448</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						
	Legal Services to the Poor	Children's Law Program	Domestic & Sexual Violence Prevention	Income Securities	Volunteer Lawyers/ Hotline	Homelessness Prevention	Elder Law
Salaries and benefits:							
Attorneys	\$ 266,179	\$ 68,508	\$ 508,599	\$ 92,284	\$ 14,485	\$ 205,356	\$ 207,002
Paralegals	867	1,194	7,921	1,194	1,085	2,821	3,364
Support	56,308	37,726	334,380	41,098	100,810	65,774	71,655
Administrative							
Contributed services					792,915		
Fringe benefits	<u>107,773</u>	<u>32,249</u>	<u>278,928</u>	<u>39,135</u>	<u>46,944</u>	<u>85,708</u>	<u>83,114</u>
Total salaries and benefits	431,127	139,677	1,129,828	173,711	956,239	359,659	365,135
Occupancy	6,363	2,452	19,478	2,847	2,816	5,581	5,746
Equipment rental	635	449	2,870	521	520	1,022	1,054
Office supplies	32,771	5,775	38,560	6,705	6,445	13,144	13,534
Postage	1,382	1,140	7,282	1,323	1,425	2,594	2,671
Telephone	1,314	907	5,796	1,053	1,991	2,065	2,126
Travel	558	455	2,908	528	421	1,036	1,067
Recruitment	22	20	129	24	19	46	47
Staff training	2,412	1,253	10,281	1,454	1,845	2,851	2,936
Library	825	731	4,673	849	869	1,665	1,714
Insurance	991	835	5,338	970	1,089	1,902	1,958
Dues and fees	1,457	1,238	7,907	1,437	1,439	2,817	2,901
Litigation	327	274	1,751	318	424	624	642
Contract services	520	415	4,852	482	384	4,945	973
Audit and accounting	1,109	933	5,964	1,084	864	2,125	2,188
Technology	4,160	3,565	22,780	4,139	3,299	8,116	8,356
Bad debt							
Other	<u>14,217</u>	<u>160</u>	<u>1,025</u>	<u>186</u>	<u>148</u>	<u>365</u>	<u>376</u>
Total expenses before depreciation	500,190	160,279	1,271,422	197,631	980,237	410,557	413,424
Depreciation	<u>16,760</u>	<u>4,622</u>	<u>36,617</u>	<u>5,696</u>	<u>5,394</u>	<u>11,829</u>	<u>11,913</u>
Total expenses	<u>\$ 516,950</u>	<u>\$ 164,901</u>	<u>\$ 1,308,039</u>	<u>\$ 203,327</u>	<u>\$ 985,631</u>	<u>\$ 422,386</u>	<u>\$ 425,337</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)
Year Ended December 31, 2019

	Program Services			Supporting Services			Total
	Justice for All Program	Health, Justice, and Medical-Legal Partnership	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits:							
Attorneys	\$ 122,019	\$ 159,475	\$ 1,643,907	\$	\$	\$	\$ 1,643,907
Paralegals	2,062	1,194	21,702				21,702
Support	67,202	259,605	1,034,558				1,034,558
Administrative				421,002	391,591	812,593	812,593
Contributed services			792,915				792,915
Fringe benefits	<u>54,659</u>	<u>123,570</u>	<u>852,080</u>	<u>97,024</u>	<u>114,531</u>	<u>211,555</u>	<u>1,063,635</u>
Total salaries and benefits	245,942	543,844	4,345,162	518,026	506,122	1,024,148	5,369,310
Occupancy	3,211	6,518	55,012	7,871	8,271	16,142	71,154
Equipment rental	588	1,194	8,853	1,442	1,515	2,957	11,810
Office supplies	11,354	28,586	156,874	18,540	19,485	38,025	194,899
Postage	1,493	3,031	22,341	3,660	3,846	7,506	29,847
Telephone	1,188	2,412	18,852	2,914	3,061	5,975	24,827
Travel	596	1,210	8,779	1,461	1,535	2,996	11,775
Recruitment	27	54	388	65	68	133	521
Staff training	1,641	3,331	28,004	4,022	4,227	8,249	36,253
Library	958	1,945	14,229	2,348	2,468	4,816	19,045
Insurance	1,094	2,222	16,399	2,683	2,819	5,502	21,901
Dues and fees	1,621	3,291	24,108	3,974	4,176	8,150	32,258
Litigation	359	729	5,448				5,448
Contract services	3,044	1,104	16,719				16,719
Audit and accounting	1,223	2,482	17,972	2,997	3,150	6,147	24,119
Technology	4,670	9,480	68,565	11,449	12,030	23,479	92,044
Bad debt					21,871	21,871	21,871
Other	<u>210</u>	<u>426</u>	<u>17,113</u>	<u>517</u>	<u>541</u>	<u>1,058</u>	<u>18,171</u>
Total expenses before depreciation	279,219	611,859	4,824,818	581,969	595,185	1,177,154	6,001,972
Depreciation	<u>8,038</u>	<u>17,606</u>	<u>118,475</u>	<u>13,772</u>	<u>14,472</u>	<u>28,244</u>	<u>146,719</u>
Total expenses	<u>\$ 287,257</u>	<u>\$ 629,465</u>	<u>\$ 4,943,293</u>	<u>\$ 595,741</u>	<u>\$ 609,657</u>	<u>\$ 1,205,398</u>	<u>\$ 6,148,691</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services						
	Legal Services to the Poor	Children's Law Program	Domestic & Sexual Violence Prevention	Income Securities	Volunteer Lawyers/ Hotline	Homelessness Prevention	Elder Law
Salaries and benefits:							
Attorneys	\$ 259,668	\$ 74,018	\$ 391,314	\$ 74,045	\$ 14,068	\$ 185,709	\$ 128,168
Paralegals	643	884	6,112	884	804	2,171	2,010
Support	47,626	33,560	321,165	29,501	94,676	41,689	46,332
Administrative							
Contributed services					998,250		
Fringe benefits	<u>98,147</u>	<u>30,521</u>	<u>214,250</u>	<u>30,232</u>	<u>29,761</u>	<u>72,392</u>	<u>57,719</u>
Total salaries and benefits	406,084	138,983	932,841	134,662	1,137,559	301,961	234,229
Occupancy	10,668	1,491	15,041	1,423	1,614	3,265	2,450
Equipment rental	1,824	367	2,302	350	369	803	603
Office supplies	27,529	5,954	37,726	5,685	5,530	13,044	9,787
Postage	4,614	985	6,189	941	1,075	2,159	1,620
Telephone	4,196	846	5,317	808	1,638	1,855	1,392
Travel	1,364	300	2,438	286	231	656	492
Recruitment	497	109	685	104	84	239	179
Staff training	6,023	1,255	8,983	1,199	1,429	2,750	2,064
Library	2,916	630	3,955	601	649	1,380	1,035
Insurance	4,022	861	5,408	822	935	1,887	1,416
Dues and fees	5,699	1,221	7,667	1,166	1,318	2,674	2,007
Litigation	1,046	222	1,395	212	317	487	365
Contract services	750						
Audit and accounting	4,245	907	5,699	866	699	1,988	1,492
Technology	15,470	3,329	20,913	3,179	2,564	7,294	5,474
Bad debt							
Other	<u>9,930</u>	<u>295</u>	<u>1,851</u>	<u>281</u>	<u>227</u>	<u>646</u>	<u>484</u>
Total expenses before depreciation	506,877	157,755	1,058,410	152,585	1,156,238	343,088	265,089
Depreciation	<u>16,771</u>	<u>4,744</u>	<u>31,813</u>	<u>4,588</u>	<u>4,739</u>	<u>10,318</u>	<u>7,972</u>
Total expenses	<u>\$ 523,648</u>	<u>\$ 162,499</u>	<u>\$ 1,090,223</u>	<u>\$ 157,173</u>	<u>\$ 1,160,977</u>	<u>\$ 353,406</u>	<u>\$ 273,061</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)
Year Ended December 31, 2018

	Program Services			Supporting Services			Total
	Justice for All Program	Health, Justice, and Medical-Legal Partnership	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits:							
Attorneys	\$ 75,036	\$ 172,362	\$ 1,374,388	\$	\$	\$	\$ 1,374,388
Paralegals	1,528	1,045	16,081				16,081
Support	55,758	201,347	871,654				871,654
Administrative				325,696	312,851	638,547	638,547
Contributed services			998,250				998,250
Fringe benefits	<u>44,652</u>	<u>96,874</u>	<u>674,548</u>	<u>76,286</u>	<u>74,075</u>	<u>150,361</u>	<u>824,909</u>
Total salaries and benefits	176,974	471,628	3,934,921	401,982	386,926	788,908	4,723,829
Occupancy	1,869	13,843	51,664	3,795	4,359	8,154	59,818
Equipment rental	460	891	7,969	934	1,072	2,006	9,975
Office supplies	7,467	17,798	130,520	15,165	17,413	32,578	163,098
Postage	1,235	2,394	21,212	2,510	2,882	5,392	26,604
Telephone	1,062	6,480	23,594	2,156	2,476	4,632	28,226
Travel	375	1,323	7,465	764	876	1,640	9,105
Recruitment	137	265	2,299	278	319	597	2,896
Staff training	1,574	3,050	28,327	3,198	3,671	6,869	35,196
Library	790	1,530	13,486	1,603	1,842	3,445	16,931
Insurance	1,080	2,092	18,523	2,192	2,518	4,710	23,233
Dues and fees	1,531	2,966	26,249	3,109	3,570	6,679	32,928
Litigation	279	540	4,863				4,863
Contract services			750				750
Audit and accounting	1,138	2,205	19,239	2,311	2,654	4,965	24,204
Technology	4,176	8,090	70,489	8,480	9,738	18,218	88,707
Bad debt					89,744	89,744	89,744
Other	<u>370</u>	<u>715</u>	<u>14,799</u>	<u>751</u>	<u>862</u>	<u>1,613</u>	<u>16,412</u>
Total expenses before depreciation	200,517	535,810	4,376,369	449,228	530,922	980,150	5,356,519
Depreciation	<u>6,028</u>	<u>16,078</u>	<u>103,051</u>	<u>10,085</u>	<u>11,580</u>	<u>21,665</u>	<u>124,716</u>
Total expenses	<u>\$ 206,545</u>	<u>\$ 551,888</u>	<u>\$ 4,479,420</u>	<u>\$ 459,313</u>	<u>\$ 542,502</u>	<u>\$ 1,001,815</u>	<u>\$ 5,481,235</u>

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 462,023	\$ 651,318
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	152,668	138,755
Gain on sale of property and equipment	(700)	
Receipt of donated stock	(105,753)	(91,271)
Contribution through forgiveness of debt		(100,000)
Net (gains) losses on endowment investments	(123,414)	58,570
Net (gains) losses on beneficial interest in endowment funds	(16,942)	8,255
Provision for uncollectible promises to give	21,871	89,744
Present value adjustment	200	(3,306)
Changes in working capital - sources (uses):		
Grants and contracts receivable	44,521	6,424
Other receivables	2,619	(1,161)
Promises to give	(77,007)	88,414
Prepaid and deferred expenses	43,221	19,012
Deposits	1,294	
Accounts payable	114	(6,039)
Accrued liabilities	15,282	26,420
Deferred revenue	304	
Client and other deposits	56	(575)
Net cash provided by operating activities	420,357	884,560
Cash flows from investing activities		
Proceeds from sale of investments	427,201	89,956
Proceeds from the sale of property and equipment	900	
Change in beneficial interest in endowment funds	(552)	(442)
Purchase of short-term investments	(101,884)	
Contributions to endowment investments	(78,105)	(116,683)
Purchase of investments	(342,079)	(14,610)
Purchase of property and equipment	(24,162)	(134,872)
Net cash used by investing activities	(118,681)	(176,651)
Cash flows from financing activities		
Principal payments on long-term debt	(217,000)	(68,500)
Net increase in cash and equivalents	84,676	639,409
Cash and equivalents at beginning of year	2,238,504	1,599,095
Cash and equivalents at end of year	\$ 2,323,180	\$ 2,238,504
Supplemental disclosure for cash flow information		
Cash paid for interest	\$ 7,280	\$ 9,820

The accompanying notes are an integral part of the financial statements.

PISGAH LEGAL SERVICES

Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

Organization

Pisgah Legal Services (the Organization) was incorporated in September 1979 as a non-profit corporation in the State of North Carolina with its principal office in Asheville, North Carolina. The Organization provides comprehensive, free, civil legal aid for economically disadvantaged individuals in eleven counties and specialized free legal assistance in seven additional counties throughout Western North Carolina.

Major Programs

The Organization's principal programs are comprised of:

- *Legal Services to the Poor:* Helps low-income individuals address consumer protection issues, income shortfalls, and manage their limited resources.
- *Children's Law Program:* Helps disadvantaged children avoid homelessness, access essential services such as medical care and education, and escape abuse.
- *Domestic & Sexual Violence Prevention:* Helps survivors of domestic violence and/or sexual assault take legal action to escape abuse and rebuild their lives and financial stability.
- *Income Securities:* Obtains and protects public benefits for low-income people, including SNAP, Social Security, and others.
- *Volunteer Lawyers/Hotline:* Recruits and trains a network of volunteer lawyers to provide pro bono legal services to the Organization's clients.
- *Homelessness Prevention:* Prevents families and individuals from losing their homes to eviction or foreclosure and improves existing housing conditions.
- *Elder Law:* Helps seniors live independently in their homes for as long as possible; protects seniors from financial or physical abuse or harassment and assists with end-of-life planning.
- *Justice for All Program:* Helps eligible immigrants work legally, secure legal status, and addresses other basic poverty needs. Provides legal documents to protect children and assets in case of family separation.
- *Health, Justice, and Medical-Legal Partnership:* Helps people access health care through the Affordable Care Act (ACA), including understanding options for Medicaid, Medicare, SSI/SSDI, and VA benefits.

Note 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and is not a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions or grants received for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on endowment investments and beneficial interest in endowment funds. Non-operating activities are limited resources that include gains and losses on investments, disposal of property and equipment, and other activities considered to be more unusual or nonrecurring in nature.

Note 1 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than short-term investments, promises to give, endowment investments, beneficial interest in endowments, and long-term debt, approximate fair value due to the relatively short-term nature of the financial instruments.

Fair value of short-term investments, endowment investments, and beneficial interest in endowment funds are discussed in Note 6.

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectible promises to give and net present value adjustments applied to outstanding balances.

The carrying value of long-term debt approximates fair value due to variable market interest rates charged on outstanding balances.

Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those amounts designated and classified as investments. Restricted cash consists of client escrow security deposits and deposits for legal filings and forms on behalf of clients.

Short-term Investments

Short-term investments consist of certificates of deposit with maturities exceeding three months.

Grants and Contracts Receivable

Grants and contracts receivable consist of unconditional grants awarded or portions of contracts earned but not collected as of December 31, 2019 and 2018. Management considers all of the grants and contracts to be fully collectible; therefore, no allowance has been made.

Note 1 - Summary of Significant Accounting Policies (continued)

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contributions. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are recognized in the statements of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets without restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Organization applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

Asset and liabilities within the fair value hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than \$5,000 and an estimated useful life extending one year. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset, generally three to thirty-nine years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenue Recognition

The Organization recognizes grants and contributions when cash, securities, or other assets; or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

A portion of the Organization's grant and contract revenue is from cost-reimbursable federal, state, county, and private grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Organization also recognizes revenue from acting as a lessor in operating leases. Revenue is recorded as rental income on the statements of activities and is accounted for on the straight-line basis over the lease term. Rental income is presented net of related rental expenses as disclosed in Note 9, Rental Activities.

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. The Organization's contract liabilities are deferred revenue and client and other deposits which are discussed in Note 4, Revenue from Contracts with Customers.

Advertising

The Organization uses advertising to promote the various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018, was \$36,390 and \$37,688, respectively.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for litigation and contract services are allocated on estimates of time and effort. Litigation and contract services are directly related to program services.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

During the year ended December 31, 2019, the Organization adopted the requirements the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements, except as noted below.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Revenue from Contracts with Customers.
- Accounting Standards Update No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.
- Accounting Standards Update No. 2016-18, *Restricted Cash*, (ASU 2016-18). This ASU clarifies the classification and presentation of restricted cash and equivalents in the statements of cash flows. The ASU requires amounts generally described as restricted cash to be included with cash and equivalents when reconciling beginning and ending amounts on the statements of cash flows.
- Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determining whether a contribution is conditional.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets

Net assets are described as follows:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Undesignated	\$ 1,297,618	\$ 1,477,057
Board designated:		
Endowment fund	976,106	753,956
Beneficial interest in endowment funds	126,874	109,380
Capital and operating reserve	590,000	590,000
Investment in property and equipment	<u>4,347,686</u>	<u>4,259,392</u>
Net assets without donor restrictions	<u>7,338,284</u>	<u>7,189,785</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Legal Services to the Poor	621,284	295,929
Children's Law Program	20,200	25,400
Domestic & Sexual Violence Prevention	18,750	47,991
Income Securities	6,750	20,928
Volunteer Lawyers/Hotline	7,685	28,750
Homelessness Prevention	36,000	114,501
Elder Law	123,250	9,469
Justice for All Project	10,679	18,438
Health, Justice, and Medical-Legal Partnership	<u>450,589</u>	<u>420,257</u>
Net assets with donor restrictions	<u>1,295,187</u>	<u>981,663</u>
<u>Total net assets</u>	<u>\$ 8,633,471</u>	<u>\$ 8,171,448</u>

Note 3 - Liquidity and Availability of Financial Assets

The Organization receives significant contributions and promises to give restricted by donors, and considers those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Dedicated reserves to provide reasonable assurance that obligations are met and to guard against unexpected circumstances.

The Organization targets year-end reserve balances of undesignated net assets to meet at least 90 days of expected expenditures. To achieve this target, the Organization forecasts future cash flows and monitors liquidity on a quarterly basis.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The following reflects the liquidity and availability of the Organization's financial assets:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and equivalents	\$ 2,323,180	\$ 2,238,504
Short-term investments	101,884	
Grants and contracts receivable	628,630	673,151
Sales tax and other receivables	5,258	7,877
Promises to give, net	190,651	135,715
Endowment investments	976,106	753,956
Beneficial interest in endowment funds	<u>126,874</u>	<u>109,380</u>
Total financial assets	<u>4,352,583</u>	<u>3,918,583</u>
Amounts not available for general expenditure:		
Board designated:		
Endowment fund	(976,106)	(753,956)
Beneficial interest in endowment funds	(126,874)	(109,380)
Capital and operating reserve	(590,000)	(590,000)
Total net assets with donor restrictions	(1,295,187)	(981,663)
Add back: restricted grants and contracts receivable	100,535	236,827
Add back: promises to give, current portion	<u>176,906</u>	<u>112,970</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 1,641,857</u>	<u>\$ 1,833,381</u>

Line of Credit

The Organization maintains a line of credit to meet short-term working capital needs. Maximum borrowings are \$300,000 and the line is secured by real estate. Interest is charged at the Prime Rate as published by the Wall Street Journal, currently 5.5%. The line of credit did not have an outstanding balance at December 31, 2019 and 2018, and matures in August 2021.

Note 4 - Revenue from Contracts with Customers

Grants and contracts receivable and promises to give represent the Organization's contract assets with an unconditional right to receive consideration from customers. Grants and contracts receivable are recorded at invoiced amounts or amounts expected to be receivable based on contract terms without conditions. Promises to give are recorded at net realizable value.

Note 4 - Revenue from Contracts with Customers (continued)

The following table provides information about contract assets:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Grants and contracts receivable	<u>\$ 628,630</u>	<u>\$ 673,151</u>	<u>\$ 679,575</u>
Promises to give:			
Due in less than one year	196,201	114,394	350,360
One to five years	<u>15,000</u>	<u>24,200</u>	<u>69,475</u>
Total unconditional promises to give	211,201	138,594	419,835
Less, allowance for uncollectible promises to give	(19,295)	(1,424)	(104,507)
Less, discount to net present value at 4.5%	<u>(1,255)</u>	<u>(1,455)</u>	<u>(4,761)</u>
Promises to give, net	<u>190,651</u>	<u>135,715</u>	<u>310,567</u>
<u>Total contract assets</u>	<u>\$ 819,281</u>	<u>\$ 808,866</u>	<u>\$ 990,142</u>

The Organization generates revenue from contracts with customers from the renting of building space. Rental payments received in advance are recorded as deferred revenue until the performance obligations are met.

The Organization also received consideration from clients for security deposits and deposits for legal filings and forms on behalf of clients.

Significant changes in contract liabilities from contracts with customers are as follows:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Deferred revenue, beginning of year	\$ 3,145	\$ 4,342
Revenue recognized that was included in deferred revenue at the beginning of the year	(3,145)	(4,342)
Increase in deferred revenue due to cash received during year	<u>3,449</u>	<u>3,145</u>
Deferred revenue, end of year	<u>3,449</u>	<u>3,145</u>
Client and other deposits, beginning of year	1,710	2,285
Revenue recognized that was included in client and other deposits at the beginning of the year	(600)	
Cash returned to client or disbursed on behalf of client		(1,175)
Increase in client and other deposits due to cash received during year	<u>656</u>	<u>600</u>
Client and other deposits, end of year	<u>1,766</u>	<u>1,710</u>
<u>Total contract liabilities</u>	<u>\$ 5,215</u>	<u>\$ 4,855</u>

Note 5 - Beneficial Interest in Endowment Funds

The Organization has established endowment funds at the Community Foundation of Western North Carolina, Inc. (CFWNC) and Community Foundation of Henderson County, Inc. (CFHC). The purpose of these funds is to support the charitable work of the Organization. The Board of Directors of the foundations have variance power, which is the absolute authority and discretion as to the investment and reinvestment of the assets. Variance power also allows the Board of Directors of the foundations to modify any condition or restriction on the distribution of funds if, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the foundations. Distributable income is available to the Organization annually. In most circumstances, endowment principal will not be distributed. However, upon agreement by the Board of Directors of foundations and the Board of Directors of the Organization, all or a portion of the principal may be distributed. The Organization's current intent is to retain distributable income in the funds. The carrying amount of the beneficial interest in endowment funds at December 31, 2019 and 2018, was \$126,874 and \$109,380, respectively.

The Organization is also the specified beneficiary for a designated endowment fund held by CFHC. The fair value of the fund at December 31, 2019 and 2018, was \$53,105, and \$45,876 respectively. An additional legacy fund held by CFWNC was established in March of 2019. The fair value of the fund at December 31, 2019 was \$208,945. In accordance with professional standards, the balances of these funds are not reflected in the Organization's financial records.

Note 6 - Fair Value Measurements

Short-term investments, endowment investments, and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of Deposit

Certificates of deposit are short-term time deposits that are valued by a third-party brokerage company using prices from sources deemed reliable or using a matrix formula. Certificates of deposit are categorized as Level 2.

Money Market Funds

Money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Organization to hold them for investment purposes and therefore has classified them as investments.

Equity Investments

Equity investments consist of stock and bond mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Note 6 - Fair Value Measurements (continued)*Beneficial Interest in Endowment Funds*

The fair value of the beneficial interest in endowment funds is provided by CFWNC and CFHC. Due to inputs being unobservable, the instruments are categorized as Level 3.

The following table sets forth the estimated fair values for financial instruments:

<u>At December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$ _____	\$ 101,884	\$ _____	\$ 101,884
Endowment investments:				
Money market	58,483			58,483
Equity investments:				
Mutual funds - equity index	599,244			599,244
Mutual funds - bond index	<u>318,379</u>			<u>318,379</u>
Total endowment investments	976,106			976,106
Beneficial interest in endowment funds	_____	_____	126,874	126,874
<u>Total fair value measurements</u>	<u>\$ 976,106</u>	<u>\$ 101,884</u>	<u>\$ 126,874</u>	<u>\$ 1,204,864</u>

<u>At December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Money market	\$ 3,962	\$ _____	\$ _____	\$ 3,962
Certificates of deposit		198,933		198,933
Equity investments:				
Mutual funds - equity index	467,910			467,910
Mutual funds - bond index	<u>83,151</u>			<u>83,151</u>
Total endowment investments	555,023	198,933		753,956
Beneficial interest in endowment funds	_____	_____	109,380	109,380
<u>Total fair value measurements</u>	<u>\$ 555,023</u>	<u>\$ 198,933</u>	<u>\$ 109,380</u>	<u>\$ 863,336</u>

Note 6 - Fair Value Measurements (continued)

A reconciliation of changes in Level 3 inputs is as follows:

<u>Years Ended December 31</u>	<u>2019</u>	<u>2018</u>
Level 3 inputs, beginning of year	\$ 109,380	\$ 117,193
Interest and dividends	1,646	1,469
Investment fees	(1,094)	(1,027)
Net gains (losses) on beneficial interest in endowment funds	<u>16,942</u>	<u>(8,255)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 126,874</u>	<u>\$ 109,380</u>

Note 7 - Property and Equipment

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,109,230	\$ 2,109,230
Equipment and furniture	177,204	292,413
Vehicles	62,904	62,904
Buildings and improvements	<u>2,917,878</u>	<u>2,906,215</u>
	5,267,216	5,370,762
Less, accumulated depreciation	<u>919,530</u>	<u>894,370</u>
<u>Property and equipment</u>	<u>\$ 4,347,686</u>	<u>\$ 4,476,392</u>

Depreciation expense for the years ended December 31, 2019 and 2018, was \$152,668 and \$138,755, respectively.

Note 8 - Long-term Debt

Long-term debt is described as follows:

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Promissory note with a stated interest rate of 3.5%. The note requires sixty-two monthly interest only payments, four annual principal payments of \$30,000 each, and a balloon payment of all outstanding interest and principal in December 2021. The note is secured by real property located at 62 Charlotte Street, Asheville, North Carolina.	\$	\$ 85,000

Note 8 - Long-term Debt (continued)

<u>At December 31</u>	<u>2019</u>	<u>2018</u>
Promissory note with a stated interest rate of 3.5%. The note requires fifty-nine monthly payments of interest only, and a balloon payment of all outstanding principal and interest in June 2020. The note is secured by real property located at 169 North Main Street, Rutherfordton, North Carolina.	\$ _____	\$ <u>132,000</u> <u>217,000</u>
Less, current maturities of long-term debt	_____	<u>30,000</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ _____</u>	<u>\$ 187,000</u>

Interest expense for the years ended December 31, 2019 and 2018, was \$7,280 and \$9,820, respectively.

Note 9 - Rental Activities

The Organization leases a portion of its building to other entities under noncancelable lease agreements. Following is a schedule of rental activities:

<u>Years Ended December 31</u>	<u>2019</u>	<u>2018</u>
Rental income	\$ <u>39,869</u>	\$ <u>45,700</u>
Rental expenses:		
Depreciation expense	5,949	14,039
Interest expense	288	857
Property taxes	5,952	5,952
Utilities	2,141	2,844
Maintenance	<u>1,318</u>	<u>546</u>
Total rental expenses	<u>15,648</u>	<u>24,238</u>
<u>Rental income, net</u>	<u>\$ 24,221</u>	<u>\$ 21,462</u>

Note 9 - Rental Activities (continued)

Future minimum payments to be received under these leases are as follows:

<u>Years Ending December 31</u>	
2020	\$ 40,176
2021	40,176
2022	40,176
2023	40,176
2024	<u>16,740</u>
<u>Total future minimum payments</u>	<u>\$ 177,444</u>

Note 10 - In-kind Contributions

In-kind contributions are included in the statements of activities as in-kind contributions or special events. In-kind contributions are summarized as follows:

<u>Years Ended December 31</u>	<u>2019</u>	<u>2018</u>
Pro bono legal services	\$ 792,915	\$ 998,250
Advertising	27,140	22,120
Other professional services	15,571	6,567
Materials and other	<u>30,841</u>	<u>7,171</u>
<u>In-kind contributions</u>	<u>\$ 866,467</u>	<u>\$ 1,034,108</u>

Pro bono services are valued using a standard rate of \$250 per service hour.

Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. These volunteer hours totaled approximately 11,100 and 11,300, during the years ended December 31, 2019 and 2018, respectively.

Note 11 - Retirement Plan

At the Board of Director's discretion, the Organization contributes to a 401(k) plan for all eligible employees. Employees are eligible after six months of service. The contribution is based on an established percentage of the employee's annual compensation. For the years ended December 31, 2019 and 2018, the Organization's contribution totaled 6.5% of eligible compensation or \$214,484 and \$155,084, respectively.

Note 12 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization has received rental income for commercial space it owns at 62 Charlotte Street. The building was debt-financed during 2018 and a portion of 2019, and as such, the net rental income is subject to unrelated business income tax as specified in the Internal Revenue Code. For the years ended December 31, 2019 and 2018, the rental activity generated a net income of \$24,221 and \$21,462, respectively. Management has determined the unrelated business income tax for 2019 and 2018 was not material.

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) for the years ended December 31, 2018, 2017, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Concentrations of Credit Risk

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 and 2018, the uninsured cash balance was \$1,596,613 and \$1,727,967, respectively.

The Organization's short-term investments, endowment investments, and beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Note 14 - Commitments and Contingencies

Lease Commitments

The Organization leases office space under operating lease agreements. Total rent expense for all operating leases for the years ended December 31, 2019 and 2018, was \$12,250 and \$9,950, respectively. Future minimum payments under all non-cancelable operating leases are \$4,250 through October 2020.

Note 14 - Commitments and Contingencies (continued)

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial and professional liability insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 15 - Related Party Transactions

During the years ended December 31, 2019 and 2018, the Organization received contributions from members of the Board of Directors totaling \$122,257 and \$35,030, respectively. Promises to give from members of the Board of Directors totaled \$10,000 and \$0 at December 31, 2019 and 2018, respectively.

Note 16 - Subsequent Events

Management has evaluated subsequent events through July 15, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries. The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Organization's consumers, grantors, employees, and vendors. At this point, it is unclear the extent COVID-19 will have on the Organization's financial condition or results of operations.

During 2020, endowment investments and beneficial interest in endowment funds experienced significant declines in fair value due to COVID-19. While recovery is uncertain and material adverse impacts could occur, the decline is expected to be temporary.

Note 16 - Subsequent Events (continued)

In April 2020, the Organization received approximately \$870,000 of funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Program through the U.S. Small Business Administration. These funds are considered a loan that must be repaid in 18 monthly installments beginning in the seventh month after funding. If the loan is used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven.

In June 2020, the Organization was awarded a grant in the amount of \$85,000 from a private foundation to respond to the COVID-19 pandemic.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Pisgah Legal Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pisgah Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pisgah Legal Services' 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 Pisgah Legal Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Pisgah Legal Services' 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 a 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.

To the Board of Directors
Pisgah Legal Services

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pisgah Legal Services' 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 results 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.

CARTER, P.C.

Asheville, North Carolina
July 15, 2020

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

To the Board of Directors
Pisgah Legal Services

Report on Compliance for Each Major Federal Program

We have audited Pisgah Legal Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pisgah Legal Services' major federal programs for the year ended December 31, 2019. Pisgah Legal Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pisgah Legal Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pisgah Legal Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pisgah Legal Services' compliance.

To the Board of Directors
Pisgah Legal Services

Opinion on Each Major Federal Program

In our opinion, Pisgah Legal Services 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, 2019.

Report on Internal Control over Compliance

Management of Pisgah Legal Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pisgah Legal Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pisgah Legal Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Pisgah Legal Services

Purpose of this Report

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.

CARTER, P.C.

Asheville, North Carolina
July 15, 2020

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards Year Ended December 31, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development:			
Passed through City of Asheville, North Carolina:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	91900329, 91900304, & 91900230	\$ <u>34,888</u>
<u>U.S. Department of Justice</u>			
Violence Against Women Office:			
Passed through Mediation Center:			
Justice Systems Response to Families	16.021	2016-FJ-AX-0007	<u>36,774</u>
Office for Victims of Crime:			
Passed through N.C. Department of Public Safety: Governor's Crime Commission:			
Crime Victim Assistance:			
Mountain Violence Prevention Program 2018	16.575	PROJ013002 PROJ012238	374,275
Legal Services for Rural, Immigrant, and Underserved Communities in WNC	16.575	& PROJ013443	553,934
Passed through Buncombe County:			
Family Justice Center Project	16.575	PROJ012140 & 660	118,970
Passed through Safelight:			
Henderson County Emergency Legal Assistance	16.575	PROJ013018	<u>32,515</u>
Total Crime Victim Assistance			<u>1,079,694</u>
Total U.S. Department of Justice			<u>1,116,468</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>U.S. Department of Health and Human Services</u>			
Administration for Community Living:			
Aging Cluster:			
Passed through Land of Sky Regional Council:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	19-008 & 20-022	\$ 47,773
Passed through Isothermal Planning and Development Commission:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		3,605
Passed through Henderson County:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		38,265
Passed through Madison County:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		1,369
Passed through Transylvania County:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		<u>11,811</u>
Total Aging Cluster			102,823
Administration for Children and Families:			
Passed through North Carolina Council for Women and Youth Involvement:			
Family Violence Prevention and Services	93.671	56-1191115	<u>48,689</u>
Total U.S. Department of Health and Human Services			<u>151,512</u>
Total expenditures of federal awards			<u>\$ 1,302,868</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued) Year Ended December 31, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
STATE AWARDS			
<u>North Carolina Housing Finance Agency</u>			
Passed through Legal Aid of North Carolina:			
North Carolina State Home Foreclosure Prevention Project			\$ <u>71,500</u>
<u>North Carolina State Bar</u>			
Passed through North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts:			
Provide Legal Services to Veterans 2019		G20F200PLS19VET	50,000
Domestic Violence Victim Assistance Act		G20F200PLS19VDV	
Total North Carolina State Bar		& 2019-10	<u>66,425</u>
			<u>116,425</u>
Total expenditures of state awards			<u>\$ 187,925</u>
OTHER AWARDS			
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts</u>			
Legal Services to the Poor		2019-03	\$ 46,000
Mountain Area Volunteer Lawyer Program		2019-10	50,000
Bank of America Community Redevelopment		BofA2016-6	183,283
Community Redevelopment		2019-CRD-03	150,000
Home Defense Project		2019-17	<u>80,000</u>
Total expenditures of other awards			<u>\$ 509,283</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal, state, and other awards (SEFSA) includes the federal and state grant activity of Pisgah Legal Services under programs of the federal government, the State of North Carolina, and other awarding agencies for the year ended December 31, 2019. The information in this SEFSA is presented in accordance with the 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). Because the SEFSA presents only a selected portion of the operations of Pisgah Legal Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pisgah Legal Services.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Pisgah Legal Services has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PISGAH LEGAL SERVICES

Schedule of Findings and Questioned Costs
December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 compliance:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? _____ yes X no

Identification of major federal programs:
CFDA Number 16.575 - Crime Victim Assistance

The threshold for distinguishing Type A and Type B programs was \$750,000.

Pisgah Legal Services was determined to be a low-risk auditee.

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

PISGAH LEGAL SERVICES

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

No findings were reported for the year ended December 31, 2018.

No findings were reported for the year ended December 31, 2017.