



**PISGAH**  
LEGAL SERVICES

## **PISGAH LEGAL SERVICES**

Asheville, North Carolina

Financial Statements and  
Supplementary Information

Years Ended December 31, 2020 and 2019

# **PISGAH LEGAL SERVICES**

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Shelley Brown  
Frank Castelblanco  
William Solmson

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## **EXECUTIVE DIRECTOR**

James Barrett

# PISGAH LEGAL SERVICES

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 August 10, 2021, 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 4,063,414	\$ 2,321,414
Restricted	1,766	1,766
Short-term investments		101,884
Grants and contracts receivable	709,420	628,630
Other receivables	8,597	5,258
Promises to give, current portion	201,798	176,906
Prepaid and deferred expenses, current portion	261,979	71,863
Deposits	<u>400</u>	<u>400</u>
Total current assets	5,247,374	3,308,121
Promises to give, net of current portion	9,363	13,745
Prepaid and deferred expenses, net of current portion	10,000	30,072
Endowment investments	1,160,013	976,106
Beneficial interest in endowment funds	139,871	126,874
Property and equipment	<u>4,267,118</u>	<u>4,347,686</u>
Total assets	<u>\$ 10,833,739</u>	<u>\$ 8,802,604</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 76,685	\$ 19,858
Accrued liabilities	187,238	144,060
Deferred revenue	695,514	3,449
Client and other deposits	<u>1,766</u>	<u>1,766</u>
Total current liabilities	<u>961,203</u>	<u>169,133</u>
Net assets:		
Without donor restrictions	8,949,272	7,338,284
With donor restrictions	<u>923,264</u>	<u>1,295,187</u>
Total net assets	<u>9,872,536</u>	<u>8,633,471</u>
Total liabilities and net assets	<u>\$ 10,833,739</u>	<u>\$ 8,802,604</u>

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

## PISGAH LEGAL SERVICES

Statement of Activities  
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and other revenues</b>			
Grants and contracts	\$ 869,003	\$ 4,590,732	\$ 5,459,735
Contributions	1,519,796	402,610	1,922,406
In-kind contributions	892,745		892,745
Rental income, net	27,434		27,434
Special events, net	79,022		79,022
Investment income, net	28,164		28,164
Net assets released from restrictions	<u>5,365,265</u>	<u>(5,365,265)</u>	
Total public support and other revenues	<u>8,781,429</u>	<u>(371,923)</u>	<u>8,409,506</u>
<b>Expenses</b>			
Program services	5,960,380		5,960,380
Supporting services	<u>1,330,589</u>		<u>1,330,589</u>
Total expenses	<u>7,290,969</u>		<u>7,290,969</u>
Increase (decrease) in net assets before other gains (losses)	<u>1,490,460</u>	<u>(371,923)</u>	<u>1,118,537</u>
<b>Other gains (losses)</b>			
Loss on sale of property and equipment	(1,385)		(1,385)
Net gains on endowment investments	110,406		110,406
Net gains on beneficial interest in endowment funds	<u>11,507</u>		<u>11,507</u>
Total other gains	<u>120,528</u>		<u>120,528</u>
Increase (decrease) in net assets	1,610,988	(371,923)	1,239,065
Net assets at beginning of year	<u>7,338,284</u>	<u>1,295,187</u>	<u>8,633,471</u>
Net assets at end of year	<u>\$ 8,949,272</u>	<u>\$ 923,264</u>	<u>\$ 9,872,536</u>

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>
<b>Public support and other revenues</b>			
Grants and contracts	\$	\$ 4,015,207	\$ 4,015,207
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>
<b>Expenses</b>			
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>
<b>Other gains</b>			
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 Functional Expenses  
Year Ended December 31, 2020

	Program Services						
	Legal Services to the Poor	Children's Law	Domestic & Sexual Violence Prevention	Income Security	Volunteer Lawyers/ Hotline	Homelessness Prevention	Elder Law
Salaries and benefits:							
Attorneys & paralegals	\$ 171,789	\$ 87,440	\$ 638,309	\$ 89,713	\$ 18,305	\$ 227,343	\$ 209,854
Support	37,932	57,127	417,026	58,612	86,261	148,529	137,104
Administrative							
Contributed services					835,750		
Fringe benefits	<u>316,308</u>	<u>13,712</u>	<u>311,380</u>	<u>21,991</u>	<u>13,064</u>	<u>59,995</u>	<u>45,067</u>
Total salaries and benefits	526,029	158,279	1,366,715	170,316	953,380	435,867	392,025
Occupancy	31,525	1,972	14,393	2,023	2,143	5,126	4,732
Equipment rental	4,860	48	348	49	163	124	115
Office supplies	99,708	6,233	47,124	6,395	5,888	17,138	14,960
Postage	2,632	1,054	9,621	1,081	1,224	2,740	2,529
Telephone	4,513	1,017	7,427	1,044	2,176	2,696	2,442
Travel	427	109	1,616	112	475	285	263
Recruitment	631	43	314	44	31	112	103
Staff training	7,345	634	4,630	651	921	1,649	1,522
Library	3,218	691	5,045	709	738	1,797	1,658
Insurance	1,330	738	5,387	757	929	1,919	1,771
Dues and fees	4,760	1,039	7,583	1,066	1,118	2,701	2,493
Litigation	345	206	1,683	211	363	534	495
Contract services	491	338	2,469	347	245	879	812
Audit and accounting	2,499	737	5,381	756	533	1,917	1,769
Technology	25,334	3,002	21,913	3,080	2,171	7,805	7,204
Client Assistance						147,376	
Bad debt recovery							
Other	<u>4,759</u>	<u>346</u>	<u>2,524</u>	<u>355</u>	<u>250</u>	<u>899</u>	<u>830</u>
Total expenses before depreciation	720,406	176,486	1,504,173	188,996	972,748	631,564	435,723
Depreciation	<u>19,370</u>	<u>3,593</u>	<u>31,707</u>	<u>4,013</u>	<u>2,687</u>	<u>9,956</u>	<u>9,000</u>
Total expenses	<u>\$ 739,776</u>	<u>\$ 180,079</u>	<u>\$ 1,535,880</u>	<u>\$ 193,009</u>	<u>\$ 975,435</u>	<u>\$ 641,520</u>	<u>\$ 444,723</u>

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

## PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)  
Year Ended December 31, 2020

	Program Services				Supporting Services			
	Justice for All	Health, Justice, and Medical-Legal Partnership	Community Economic Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits:								
Attorneys & paralegals	\$ 155,642	\$ 208,038	\$ 126,812	\$ 1,933,245	\$	\$	\$	\$ 1,933,245
Support	101,685	184,998	48,589	1,277,863				1,277,863
Administrative					473,668	449,328	922,996	922,996
Contributed services				835,750				835,750
Fringe benefits	<u>16,821</u>	<u>147,586</u>	<u>31,102</u>	<u>977,026</u>	<u>131,943</u>	<u>138,551</u>	<u>270,494</u>	<u>1,247,520</u>
Total salaries and benefits	274,148	540,622	206,503	5,023,884	605,611	587,879	1,193,490	6,217,374
Occupancy	3,509	5,360	7,075	77,858	7,231	7,390	14,621	92,479
Equipment rental	85	130	1,144	7,066	175	179	354	7,420
Office supplies	11,095	83,471	13,691	305,703	22,767	23,364	46,131	351,834
Postage	1,876	2,974	2,704	28,435	3,967	3,950	7,917	36,352
Telephone	1,811	4,759	3,464	31,349	3,732	3,813	7,545	38,894
Travel	195	576	1,158	5,216	402	410	812	6,028
Recruitment	77	305	52	1,712	159	162	321	2,033
Staff training	1,129	1,724	3,906	24,111	2,328	2,377	4,705	28,816
Library	1,230	1,879	1,389	18,354	2,535	2,590	5,125	23,479
Insurance	1,313	2,006	2,340	18,490	2,709	2,766	5,475	23,965
Dues and fees	1,849	2,824	3,142	28,575	3,807	3,894	7,701	36,276
Litigation	367	1,172	250	5,626				5,626
Contract services	602	919	410	7,512				7,512
Audit and accounting	1,312	2,004	2,191	19,099	2,706	2,763	5,469	24,568
Technology	5,343	8,161	7,978	91,991	11,009	11,252	22,261	114,252
Client Assistance				147,376				147,376
Bad debt recovery						(14,170)	(14,170)	(14,170)
Other	<u>615</u>	<u>940</u>	<u>1,194</u>	<u>12,712</u>	<u>1,254</u>	<u>1,296</u>	<u>2,550</u>	<u>15,262</u>
Total expenses before depreciation	306,556	659,826	258,591	5,855,069	670,392	639,915	1,310,307	7,165,376
Depreciation	<u>6,037</u>	<u>13,880</u>	<u>5,068</u>	<u>105,311</u>	<u>9,968</u>	<u>10,314</u>	<u>20,282</u>	<u>125,593</u>
Total expenses	<u>\$ 312,593</u>	<u>\$ 673,706</u>	<u>263,659</u>	<u>\$ 5,960,380</u>	<u>\$ 680,360</u>	<u>\$ 650,229</u>	<u>\$ 1,330,589</u>	<u>\$ 7,290,969</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	Domestic & Sexual Violence Prevention	Income Security	Volunteer Lawyers/ Hotline	Homelessness Prevention	Elder Law
Salaries and benefits:							
Attorneys & paralegals	\$ 267,046	\$ 69,702	\$ 516,520	\$ 93,478	\$ 15,570	\$ 208,177	\$ 210,366
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	Health, Justice, and Medical-Legal Partnership	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits:							
Attorneys & paralegals	\$ 124,081	\$ 160,669	\$ 1,665,609	\$	\$	\$	\$ 1,665,609
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

Statements of Cash Flows  
Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,239,065	\$ 462,023
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	131,963	152,668
(Gain) loss on sale of property and equipment	1,385	(700)
Forgiveness of Paycheck Protection Program loan	(869,003)	
Receipt of donated stock	(122,772)	(105,753)
Receipt of donated property and equipment	(24,800)	
Net gains on endowment investments	(110,406)	(123,414)
Net gains on beneficial interest in endowment funds	(11,507)	(16,942)
Provision for (recovery of) uncollectible promises to give	(14,170)	21,871
Present value adjustment	(619)	(200)
Changes in working capital - sources (uses):		
Grants and contracts receivable	(80,790)	44,521
Other receivables	(3,339)	2,619
Promises to give	(5,721)	(76,607)
Prepaid and deferred expenses	(170,044)	43,221
Deposits		1,294
Accounts payable	56,827	114
Accrued liabilities	43,178	15,282
Deferred revenue	692,065	304
Client and other deposits		56
Net cash provided by operating activities	751,312	420,357
<b>Cash flows from investing activities</b>		
Proceeds from sale of short-term investments	101,884	
Proceeds from sale of investments	143,255	427,201
Proceeds from the sale of property and equipment		900
Purchase of short-term investments		(101,884)
Purchase of investments	(38,281)	(342,079)
Contributions to endowment investments	(55,703)	(78,105)
Contributions to beneficial interest in endowments	(1,000)	
Change in beneficial interest in endowment funds	(490)	(552)
Purchase of property and equipment	(27,980)	(24,162)
Net cash provided (used) by investing activities	121,685	(118,681)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	869,003	
Principal payments on long-term debt		(217,000)
Net cash provided (used) by financing activities	869,003	(217,000)
Net increase in cash and equivalents and restricted cash	1,742,000	84,676
Cash and equivalents and restricted cash at beginning of year	2,323,180	2,238,504
Cash and equivalents and restricted cash at end of year	\$ 4,065,180	\$ 2,323,180
<b>Supplemental disclosure for cash flow information</b>		
Cash paid for interest	\$ _____	\$ 7,280

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

## PISGAH LEGAL SERVICES

Notes to Financial Statements  
December 31, 2020 and 2019

### **Note 1 - Summary of Significant Accounting Policies**

#### Organization

Pisgah Legal Services (the Organization) was incorporated in September 1979 as a nonprofit 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:* Helps disadvantaged children avoid homelessness, escape abuse, and access essential services, such as medical care and education.
- *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 Security:* Obtains and protects public benefits for low-income people, including SNAP, SSI/SSDI, 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:* 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 and Medicare. Helps medical patients address legal issues that impact social determinants or issues that impact their health, such as domestic violence, housing, or crushing debt.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Major Programs (continued)

- *Community Economic Development*: Increases jobs and affordable housing through legal advocacy and partnership with other nonprofits, church groups, and local governments.

### 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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### 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 to resources that generate return from endowment investments and beneficial interest in endowment funds, disposal of property and equipment, and other activities considered to be more unusual or nonrecurring in nature.

### 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, and beneficial interest in endowment funds 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.

### 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, 2020 and 2019. Management considers all of the grants and contracts to be fully collectible; therefore, no allowance has been established.

## **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 fair value, which is measured as 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 with restrictions until the related restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished).

### 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

Contributions are recognized when cash, securities, 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 or right of release of the obligation - are not recognized until the conditions on which they depend have been met. The Organization received conditional contributions of \$692,065 that have not been recognized as of December 31, 2020. This amount will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

## **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 qualifying 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 deferred revenue 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 in 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.

### 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, 2020 and 2019, was \$136,099 and \$36,390, 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 administrative expenses, contributed services, litigation, contract services, client assistance, and bad debt expense/recovery are allocated on estimates of time and effort. Contributed services, litigation, contract services, and client assistance are directly related to program services. Administrative are directly related to supporting services, Bad debt expense/recovery is directly related to fundraising which is a supporting service.

### 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.

### New Accounting Pronouncements

During the year ended December 31, 2020, the Organization adopted the requirements of 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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### New Accounting Pronouncements (continued)

- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.
- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments*. (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial statements.

### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For income statement purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning January 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard will be effective beginning January 1, 2021. The Organization is currently evaluating the effect this ASU will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 puts in place additional requirements regarding the presentation and disclosure of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. The new standard will be effective beginning January 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

## **Note 2 - Net Assets**

Net assets are described as follows:

<u>At December 31</u>	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Undesignated	\$ 2,111,250	\$ 1,297,618
Board designated:		
Endowment fund	1,131,033	976,106
Beneficial interest in endowment funds	139,871	126,874
Capital and operating reserve	1,300,000	590,000
Investment in property and equipment	<u>4,267,118</u>	<u>4,347,686</u>
Net assets without donor restrictions	<u>8,949,272</u>	<u>7,338,284</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Legal Services to the Poor	440,139	556,343
Children's Law	2,500	20,200
Domestic & Sexual Violence Prevention	7,700	18,750
Income Security		6,750
Volunteer Lawyers/Hotline	8,805	7,685
Homelessness Prevention	64,450	36,000
Elder Law		123,250
Justice for All	1,679	10,679
Health, Justice, and Medical-Legal Partnership	146,208	450,589
Community Economic Development	<u>222,803</u>	<u>64,941</u>
Total subject to expenditure for specified purpose or period	894,284	1,295,187
Not subject to spending policy or appropriation:		
Endowment investment in perpetuity	<u>28,980</u>	
Net assets with donor restrictions	<u>923,264</u>	<u>1,295,187</u>
<u>Total net assets</u>	<u>\$ 9,872,536</u>	<u>\$ 8,633,471</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.

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

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.

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

<u>At December 31</u>	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and equivalents	\$ 4,065,180	\$ 2,323,180
Short-term investments		101,884
Grants and contracts receivable	709,420	628,630
Other receivables	8,597	5,258
Promises to give, net	211,161	190,651
Endowment investments	1,160,013	976,106
Beneficial interest in endowment funds	<u>139,871</u>	<u>126,874</u>
Total financial assets	<u>6,294,242</u>	<u>4,352,583</u>
Amounts not available for general expenditure:		
Board designated:		
Endowment fund	(1,131,033)	(976,106)
Beneficial interest in endowment funds	(139,871)	(126,874)
Capital and operating reserve	(1,300,000)	(590,000)
Total net assets with donor restrictions	(923,264)	(1,295,187)
Add back: restricted grants and contracts receivable	43,062	100,535
Add back: promises to give, current portion	<u>201,798</u>	<u>176,906</u>
Total amounts not available for general expenditure	<u>(3,249,308)</u>	<u>(2,710,726)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 3,044,934</u>	<u>\$ 1,641,857</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 3.25%. The line of credit did not have an outstanding balance at December 31, 2020 and 2019, and matures in August 2021.

### **Note 4 - Contract Assets and Liabilities**

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 contractual terms without conditions. Promises to give are recorded at net realizable value.

#### **Note 4 - Contract Assets and Liabilities (continued)**

The following table provides information about contract assets:

<u>At December 31</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants and contracts receivable	<u>\$ 709,420</u>	<u>\$ 628,630</u>	<u>\$ 673,151</u>
Promises to give:			
Due in less than one year	206,123	196,201	114,394
One to five years	<u>10,000</u>	<u>15,000</u>	<u>24,200</u>
Total unconditional promises to give	216,123	211,201	138,594
Less, allowance for uncollectible promises to give	(4,325)	(19,295)	(1,424)
Less, discount to net present value at 4.5%	<u>(637)</u>	<u>(1,255)</u>	<u>(1,455)</u>
Promises to give, net	<u>211,161</u>	<u>190,651</u>	<u>135,715</u>
<u>Total contract assets</u>	<u>\$ 920,581</u>	<u>\$ 819,281</u>	<u>\$ 808,866</u>

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 Organizations contract liabilities consist of deferred revenue and client and other deposits. Deferred revenue consists of conditional contributions and rental payments received in advance. Conditional contributions will be recognized as revenue once the conditions have essentially been fulfilled. Rental payments received in advance will be recognized once 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. These deposits will be recognized as services are provided. Any unused portions are refunded to the client.

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

<u>At December 31</u>	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of year	\$ 3,449	\$ 3,145
Revenue recognized that was included in deferred revenue at the beginning of the year	(3,449)	(3,145)
Increase in deferred revenue due to cash received during year	<u>695,514</u>	<u>3,449</u>
Deferred revenue, end of year	<u>695,514</u>	<u>3,449</u>
Client and other deposits, beginning of year	1,766	1,710
Revenue recognized that was included in client and other deposits at the beginning of the year		(600)
Increase in client and other deposits due to cash received during year		<u>656</u>
Client and other deposits, end of year	<u>1,766</u>	<u>1,766</u>
<u>Total contract liabilities</u>	<u>\$ 697,280</u>	<u>\$ 5,215</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, 2020 and 2019, was \$139,871 and \$126,874, 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, 2020 and 2019, was \$56,909 and \$53,105, respectively. An additional legacy fund held by CFWNC was established in March of 2019. The fair value of the fund at December 31, 2020 and 2019 was \$234,130 and \$208,945, respectively. 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:

### *Cash and Money Market Funds*

Cash and 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.

### *Certificates of Deposit*

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

### *Equity Investments*

Equity investments consist of 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, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and money market funds	\$ 100,302	\$	\$	\$ 100,302
Equity investments:				
Mutual funds - equity index	698,620			698,620
Mutual funds - bond index	<u>361,091</u>			<u>361,091</u>
Total endowment investments	<u>1,160,013</u>			<u>1,160,013</u>
Beneficial interest in endowment funds			<u>139,871</u>	<u>139,871</u>
<u>Total fair value measurements</u>	<u>\$ 1,160,013</u>	<u>\$</u>	<u>\$ 139,871</u>	<u>\$ 1,299,884</u>

<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	\$	<u>\$ 101,884</u>	\$	<u>\$ 101,884</u>
Endowment investments:				
Cash and money market funds	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	<u>976,106</u>			<u>976,106</u>
Beneficial interest in endowment funds			<u>126,874</u>	<u>126,874</u>
<u>Total fair value measurements</u>	<u>\$ 976,106</u>	<u>\$ 101,884</u>	<u>\$ 126,874</u>	<u>\$ 1,204,864</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>2020</u>	<u>2019</u>
Level 3 inputs, beginning of year	\$ 126,874	\$ 109,380
Contributions	1,000	
Interest and dividends	1,560	1,646
Investment fees	(1,070)	(1,094)
Net gains on beneficial interest in endowment funds	<u>11,507</u>	<u>16,942</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 139,871</u>	<u>\$ 126,874</u>

**Note 7 - Property and Equipment**

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2020</u>	<u>2019</u>
Land	\$ 2,109,230	\$ 2,109,230
Buildings and improvements	2,945,659	2,917,878
Equipment and furniture	161,897	177,204
Vehicles	<u>62,904</u>	<u>62,904</u>
	5,279,690	5,267,216
Less, accumulated depreciation	<u>1,012,572</u>	<u>919,530</u>
<u>Property and equipment</u>	<u>\$ 4,267,118</u>	<u>\$ 4,347,686</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$131,963 and \$152,668, respectively.

**Note 8 - 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>2020</u>	<u>2019</u>
Pro bono legal services	\$ 835,750	\$ 792,915
Equipment and furniture	24,800	
Advertising	25,304	27,140
Other professional services	4,837	15,571
Materials and other	<u>2,054</u>	<u>388</u>
<u>In-kind contributions</u>	<u>\$ 892,745</u>	<u>\$ 836,014</u>

**Note 8 - In-kind Contributions (continued)**

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 9,200 and 11,100 during the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Rental income	<u>\$ 41,389</u>	<u>\$ 39,869</u>
Rental expenses:		
Depreciation expense	6,370	5,949
Interest expense		288
Property taxes	2,969	5,952
Utilities	2,204	2,141
Maintenance	<u>2,412</u>	<u>1,318</u>
Total rental expenses	<u>13,955</u>	<u>15,648</u>
<u>Rental income, net</u>	<u>\$ 27,434</u>	<u>\$ 24,221</u>

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

<u>Years Ending December 31</u>	
2021	\$ 40,176
2022	40,176
2023	40,176
2024	16,740
2025	
<u>Total future minimum payments</u>	<u>\$ 137,268</u>

**Note 10 - 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, 2020 and 2019, the Organization's contribution totaled 6.5% of eligible compensation or \$241,762 and \$214,484, respectively.

## **Note 11 - 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 for 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 year ended December 31, 2019, the rental activity generated a net income of \$27,434. Management has determined the unrelated business income tax for 2019 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, 2019, 2018, and 2017, are subject to examination by the IRS, generally for three years after they were filed.

## **Note 12 - 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, 2020 and 2019, the uninsured cash balance was \$3,320,048 and \$1,596,613, respectively.

The Organization's 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 13 - Commitments and Contingencies**

### **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.

### **Note 13 - Commitments and Contingencies (continued)**

#### **Lease Commitments**

The Organization leases office space under operating lease agreements. Total rent expense for all operating leases for the years ended December 31, 2020 and 2019, was \$20,800 and \$12,250, respectively. Future minimum payments under all non-cancelable operating leases are \$37,948 for the year ending December 31, 2021.

#### **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 14 - Related Party Transactions**

During the years ended December 31, 2020 and 2019, the Organization received contributions from members of the Board of Directors totaling \$93,843 and \$122,257, respectively. Promises to give from members of the Board of Directors totaled \$0 and \$20,000 at December 31, 2020 and 2019, respectively.

### **Note 15 - Coronavirus Pandemic Impact**

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 Organization received increased community support and government grants to offset some of the impacts of COVID-19, including a loan received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program (PPP) for \$869,003. Management is in the process of filing for loan forgiveness for the PPP loan. Management believes that the Organization has substantially met the conditional requirements for loan forgiveness and has accordingly recorded the anticipated forgiven amount as grant revenue for the year ended December 31, 2020.

The extent of the future impacts of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent COVID-19 will have on the Organization's financial condition or results of operations.

### **Note 16 - Subsequent Events**

Management has evaluated subsequent events through August 10, 2021, the date on which the financial statements were available to be issued.

## **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, 2020, 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 August 10, 2021.

**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) as a basis for designing 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 financial statements. 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  
August 10, 2021

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, 2020. 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.

***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, 2020.

To the Board of Directors  
Pisgah Legal Services

## **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.

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.



Asheville, North Carolina  
August 10, 2021

## PISGAH LEGAL SERVICES

### Schedule of Expenditures of Federal, State, and Other Awards Year Ended December 31, 2020

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>FEDERAL AWARDS</b>				
<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 Grant/Entitlement Grants	14.218	92000304 & 92100363	\$ 36,888	\$
Community Development Block Grants/Entitlement Grants - COVID-19 Eviction Prevention Project	14.218	92100184	<u>104,377</u>	<u>98,947</u>
Total CDBG - Entitlement Grants Cluster			<u>141,265</u>	<u>98,947</u>
<u>U.S. Department of Justice</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	373,612	
Buncombe - Mountain Violence Prevention Project 2020	16.575	PROJ014316	93,205	
Buncombe - Legal Services for Rural, Immigrant, and Underserved Communities in WNC 2019	16.575	PROJ013443	632,143	
Passed through Buncombe County, North Carolina:				
Family Justice Center Project	16.575	660	128,478	
Passed through Safelight, Inc. d/b/a Mainstay, Inc.:				
Henderson County Emergency Legal Assistance	16.575	PROJ013018 & PROJ014146	<u>36,953</u>	
Total Crime Victim Assistance			<u>1,264,391</u>	
Office for Violence Against Women:				
Legal Assistance for Victims	16.524		11,297	
Passed through Mediation Center:				
Justice Systems Response to Families	16.021	2016-FJ-AX-0007	10,543	
Passed through Helpmate, Inc.:				
Transitional Housing Assistance for Victims of Domestic Violence, Stalking, or Sexual Assault	16.736	2017-WH-AX-0053	<u>15,995</u>	
Total U.S. Department of Justice			<u>1,302,226</u>	

## PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)  
Year Ended December 31, 2020

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>FEDERAL AWARDS (continued)</b>				
<u>U.S. Department of Health and Human Services</u>				
Administration for Community Living:				
Aging Cluster:				
Passed through Land of Sky Regional Council:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	20 - 022 & 20/21 AANCT3SS	\$ 59,827	\$
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act Funding	93.044	2001NCSSC3-00	12,150	
Passed through Isothermal Planning and Development Commission:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		6,031	
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act Funding	93.044		2,232	
Passed through Henderson County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		25,605	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act Funding	93.044		7,265	
Passed through Madison County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		3,930	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act Funding	93.044		250	
Passed through Transylvania County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		7,182	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act Funding	93.044		876	
Total Aging Cluster			<u>125,348</u>	

## PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)  
Year Ended December 31, 2020

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>FEDERAL AWARDS (continued)</b>				
<u>U.S. Department of Health and Human Services (continued)</u>				
Administration for Children and Families:				
Passed through North Carolina Council for Women and Youth Involvement:				
Family Violence Prevention and Services	93.671	56-1191115	\$ 52,335	\$ _____
Total U.S. Department of Health and Human Services			177,683	_____
Total Federal Awards			\$ 1,621,174	\$ 98,947
<b>STATE AWARDS</b>				
<u>North Carolina Housing Finance Agency</u>				
Passed through Legal Aid of North Carolina:				
North Carolina State Home Foreclosure Prevention Project			\$ 58,500	\$ _____
<u>North Carolina State Bar</u>				
Lawyers' Trust Accounts (NC IOLTA):				
Domestic Violence Victim Assistance Act		2019-10 & 02169	41,849	_____
Total State Awards			\$ 100,349	\$ _____
<b>OTHER AWARDS</b>				
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (NC IOLTA)</u>				
Legal Services to the Poor		2020-03	\$ 57,500	\$ _____
Mountain Area Volunteer Lawyer Program		2020-10	62,500	_____
Community Redevelopment		2019-CRD-03	300,000	_____
Strategic Support		2020-SS-03	103,745	_____
Home Defense Project		2020-18	56,000	_____
Total Other Awards			\$ 579,745	\$ _____

## PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)  
Year Ended December 31, 2020

### **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, 2020. 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 in the SEFSA are presented 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, 2020

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 with each major federal program: Unmodified

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

Identification of major federal programs:  
CFDA # 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, 2020

No findings were reported for the year ended December 31, 2019.

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