



PISGAH
LEGAL SERVICES

PISGAH LEGAL SERVICES

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended December 31, 2021 and 2020

PISGAH LEGAL SERVICES

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Claudia Hawkins
William Wolcott, III

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PISGAH LEGAL SERVICES

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statement of Activities - 2021	5
Statement of Activities - 2020	6
Statement of Functional Expenses - 2021	7-8
Statement of Functional Expenses - 2020	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-27
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>	28-29
Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30-32
Schedule of Expenditures of Federal, State, and Other Awards	33-36
Schedule of Findings and Questioned Costs	37
Summary Schedule of Prior Audit Findings	38



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pisgah Legal Services

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pisgah Legal Services as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pisgah Legal Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pisgah Legal Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pisgah Legal Services' ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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.

Supplementary Information (continued)

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 schedule of expenditures of federal, state, and other awards 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, 2022, 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.

Asheville, North Carolina
July 15, 2022

PISGAH LEGAL SERVICES

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 6,839,075	\$ 4,063,414
Restricted	3,010	1,766
Grants and contracts receivable	626,481	709,420
Other receivables	8,582	8,597
Promises to give, current portion	127,055	201,798
Prepaid and deferred expenses, current portion	94,627	261,979
Deposits	400	400
Total current assets	7,699,230	5,247,374
Promises to give, net of current portion	9,363	9,363
Prepaid and deferred expenses, net of current portion		10,000
Endowment investments	1,344,980	1,160,013
Beneficial interest in endowment funds	156,526	139,871
Property and equipment	4,168,725	4,267,118
Total assets	\$ 13,378,824	\$ 10,833,739
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 60,059	\$ 76,685
Accrued liabilities	223,230	187,238
Deferred revenue	2,861,983	695,514
Client and other deposits	3,010	1,766
Total current liabilities	3,148,282	961,203
Net assets:		
Without donor restrictions	9,247,461	8,949,272
With donor restrictions	983,081	923,264
Total net assets	10,230,542	9,872,536
Total liabilities and net assets	\$ 13,378,824	\$ 10,833,739

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

PISGAH LEGAL SERVICES

Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenues			
Grants and contracts	\$	\$ 5,561,647	\$ 5,561,647
Contributions	1,735,773	712,776	2,448,549
In-kind contributions	786,853		786,853
Rental income, net	27,035		27,035
Special events, net	65,217		65,217
Investment income, net	27,364		27,364
Net assets released from restrictions	<u>6,214,606</u>	<u>(6,214,606)</u>	
Total public support and other revenues	<u>8,856,848</u>	<u>59,817</u>	<u>8,916,665</u>
Expenses			
Program services	7,161,677		7,161,677
Supporting services	<u>1,527,740</u>		<u>1,527,740</u>
Total expenses	<u>8,689,417</u>		<u>8,689,417</u>
Increase in net assets before other gains	<u>167,431</u>	<u>59,817</u>	<u>227,248</u>
Other gains			
Net gains on endowment investments	115,813		115,813
Net gains on beneficial interest in endowment funds	<u>14,945</u>		<u>14,945</u>
Total other gains	<u>130,758</u>		<u>130,758</u>
Increase in net assets	298,189	59,817	358,006
Net assets at beginning of year	<u>8,949,272</u>	<u>923,264</u>	<u>9,872,536</u>
Net assets at end of year	<u>\$ 9,247,461</u>	<u>\$ 983,081</u>	<u>\$ 10,230,542</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>
Public support and other revenues			
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>
Expenses			
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>
Other gains (losses)			
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 Functional Expenses
Year Ended December 31, 2021

	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	\$ 206,189	\$ 68,638	\$ 597,153	\$ 65,893	\$ 178,459	\$ 358,292	\$ 122,176
Paralegals	13,639	4,540	39,499	4,359	11,805	23,700	8,082
Support	133,824	44,549	387,572	42,767	115,826	232,544	79,296
Administrative							
Contributed services					727,035		
Fringe benefits	<u>112,502</u>	<u>37,451</u>	<u>325,818</u>	<u>35,953</u>	<u>97,372</u>	<u>195,492</u>	<u>66,662</u>
Total salaries and benefits	466,154	155,178	1,350,042	148,972	1,130,497	810,028	276,216
Occupancy	7,945	2,646	23,844	2,539	6,878	13,809	4,708
Equipment rental	687	229	1,989	219	594	1,193	407
Office supplies	11,410	3,696	35,247	3,621	10,221	19,429	6,754
Postage	1,317	430	5,197	412	1,117	2,666	765
Telephone	4,424	1,473	12,811	1,414	3,829	7,687	2,621
Travel	1,657	56	1,984	54	145	669	99
Recruitment	2,598	855	7,466	852	2,253	4,523	1,521
Staff training	1,850	794	11,511	762	3,037	4,987	1,413
Library	1,552	493	4,293	474	1,317	2,576	878
Insurance	2,268	755	6,569	725	1,963	3,941	1,344
Dues and fees	2,260	752	7,683	722	2,131	3,927	1,339
Litigation		77	3,690	74	338	1,494	156
Contract services	444	148	1,286	142	384	772	263
Audit and accounting	1,783	593	5,163	570	1,543	3,098	1,056
Technology	6,810	2,267	19,721	2,176	5,894	11,833	4,035
Client Assistance	68,297					302,881	
Other	<u>3,390</u>	<u>399</u>	<u>3,465</u>	<u>383</u>	<u>1,035</u>	<u>2,079</u>	<u>709</u>
Total expenses before depreciation	584,846	170,841	1,501,961	164,111	1,173,176	1,197,592	304,284
Depreciation	<u>7,914</u>	<u>2,635</u>	<u>22,921</u>	<u>2,529</u>	<u>6,851</u>	<u>13,753</u>	<u>4,690</u>
Total expenses	<u>\$ 592,760</u>	<u>\$ 173,476</u>	<u>\$ 1,524,882</u>	<u>\$ 166,640</u>	<u>\$ 1,180,027</u>	<u>\$ 1,211,345</u>	<u>\$ 308,974</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)
Year Ended December 31, 2021

	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	\$ 105,703	\$ 564,481	\$ 82,366	\$ 2,349,350	\$	\$	\$	\$ 2,349,350
Paralegals	6,992	37,339	5,448	155,403				155,403
Support	68,605	366,368	53,458	1,524,809				1,524,809
Administrative					604,414	355,430	959,844	959,844
Contributed services				727,035				727,035
Fringe benefits	<u>57,674</u>	<u>307,994</u>	<u>44,941</u>	<u>1,281,859</u>	<u>192,272</u>	<u>113,067</u>	<u>305,339</u>	<u>1,587,198</u>
Total salaries and benefits	238,974	1,276,182	186,213	6,038,456	796,686	468,497	1,265,183	7,303,639
Occupancy	4,074	21,755	3,174	91,372	10,118	9,385	19,503	110,875
Equipment rental	352	1,880	274	7,824	875	811	1,686	9,510
Office supplies	5,691	122,980	4,458	223,507	14,129	94,023	108,152	331,659
Postage	696	4,393	516	17,509	1,651	14,212	15,863	33,372
Telephone	2,268	12,110	1,767	50,404	5,630	5,225	10,855	61,259
Travel	659	1,582	67	6,972	212	227	439	7,411
Recruitment	1,316	7,720	1,057	30,161	4,018	3,094	7,112	37,273
Staff training	1,223	8,848	953	35,378	5,605	4,609	10,214	45,592
Library	760	4,058	592	16,993	1,887	1,751	3,638	20,631
Insurance	1,163	6,209	906	25,843	2,887	2,679	5,566	31,409
Dues and fees	1,159	6,948	903	27,824	2,879	5,230	8,109	35,933
Litigation	1,488	1,287	92	8,696	293	469	762	9,458
Contract services	228	1216	177	5,060	565	524	1,089	6,149
Audit and accounting	914	4,881	712	20,313	22,957	2,106	25,063	45,376
Technology	3,491	19,220	2,720	78,167	8,668	13,472	22,140	100,307
Client Assistance				371,178				371,178
Other	<u>614</u>	<u>3,289</u>	<u>478</u>	<u>15,841</u>	<u>1,522</u>	<u>1,421</u>	<u>2,943</u>	<u>18,784</u>
Total expenses before depreciation	265,070	1,504,558	205,059	7,071,498	880,582	627,735	1,508,317	8,579,815
Depreciation	<u>4,057</u>	<u>21,667</u>	<u>3,162</u>	<u>90,179</u>	<u>10,075</u>	<u>9,348</u>	<u>19,423</u>	<u>109,602</u>
Total expenses	<u>\$ 269,127</u>	<u>\$ 1,526,225</u>	<u>208,221</u>	<u>\$ 7,161,677</u>	<u>\$ 890,657</u>	<u>\$ 637,083</u>	<u>\$ 1,527,740</u>	<u>\$ 8,689,417</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	316,308	13,712	311,380	21,991	13,064	59,995	45,067
Total salaries and benefits	<u>526,029</u>	<u>158,279</u>	<u>1,366,715</u>	<u>170,316</u>	<u>953,380</u>	<u>435,867</u>	<u>392,025</u>
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	4,759	346	2,524	355	250	899	830
Total expenses before depreciation	<u>720,406</u>	<u>176,486</u>	<u>1,504,173</u>	<u>188,996</u>	<u>972,748</u>	<u>631,564</u>	<u>435,723</u>
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	16,821	147,586	31,102	977,026	131,943	138,551	270,494	1,247,520
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	615	940	1,194	12,712	1,254	1,296	2,550	15,262
Total expenses before depreciation	306,556	659,826	258,591	5,855,069	670,392	639,915	1,310,307	7,165,376
Depreciation	6,037	13,880	5,068	105,311	9,968	10,314	20,282	125,593
Total expenses	\$ 312,593	\$ 673,706	\$ 263,659	\$ 5,960,380	\$ 680,360	\$ 650,229	\$ 1,330,589	\$ 7,290,969

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

PISGAH LEGAL SERVICES

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 358,006	\$ 1,239,065
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	117,272	131,963
Loss on disposal of property and equipment		1,385
Forgiveness of Paycheck Protection Program loan		(869,003)
Receipt of donated stock	(106,644)	(122,772)
Receipt of donated property and equipment		(24,800)
Net gains on endowment investments	(115,813)	(110,406)
Net gains on beneficial interest in endowment funds	(14,945)	(11,507)
Recovery of uncollectible promises to give		(14,170)
Present value adjustment		(619)
Changes in working capital - sources (uses):		
Grants and contracts receivable	82,939	(80,790)
Other receivables	15	(3,339)
Promises to give	74,743	(5,721)
Prepaid and deferred expenses	177,352	(170,044)
Accounts payable	(16,626)	56,827
Accrued liabilities	35,992	43,178
Deferred revenue	2,166,469	692,065
Client and other deposits	1,244	
Net cash provided by operating activities	2,760,004	751,312
Cash flows from investing activities		
Proceeds from sale of short-term investments		101,884
Proceeds from sale of investments	153,503	143,255
Purchase of investments	(69,548)	(38,281)
Contributions to endowment investments	(46,465)	(55,703)
Contributions to beneficial interest in endowments		(1,000)
Change in beneficial interest in endowment funds	(1,710)	(490)
Purchase of property and equipment	(18,879)	(27,980)
Net cash provided by investing activities	16,901	121,685
Cash flows from financing activities		
Proceeds from issuance of long-term debt		869,003
Net increase in cash and equivalents and restricted cash	2,776,905	1,742,000
Cash and equivalents and restricted cash at beginning of year	4,065,180	2,323,180
Cash and equivalents and restricted cash at end of year	\$ 6,842,085	\$ 4,065,180

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

PISGAH LEGAL SERVICES

Notes to Financial Statements
December 31, 2021 and 2020

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.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than 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.

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.

Fair value of endowment investments and beneficial interest in endowment funds are discussed in Note 6.

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.

Grants, Contracts, and Other Receivables

Grants and contracts receivable consist of unconditional grants awarded or portions of contracts earned but not collected as of December 31, 2021 and 2020.

Other receivables consist primarily of sales tax receivables.

All grants, contracts, and other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines collection is unlikely.

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)

Assets 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.

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 received conditional grants of \$2,848,688 and \$692,065, that have not been recognized as of December 31, 2021 and 2020, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

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 8, 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, 2021 and 2020, was \$168,798 and \$136,099, 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 attorneys, paralegal, support, administrative, contributed services, client assistance, and bad debt recovery are allocated based on estimates of time and effort. Attorneys, paralegal, support, contributed services, and client assistance are directly related to program services. Administrative is directly related to supporting services, Bad debt recovery is directly related to fundraising which is a supporting service.

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.

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 Pronouncement

During the year ended December 31, 2021, the Organization adopted the requirements of Accounting Standards Update (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). 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 implementation of this standard did not materially impact the Organization’s 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 statement of activities 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 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>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	\$ 2,314,972	\$ 2,111,250
Board designated:		
Endowment fund	1,307,238	1,131,033
Beneficial interest in endowment funds	156,526	139,871
Capital and operating reserve	1,300,000	1,300,000
Investment in property and equipment	<u>4,168,725</u>	<u>4,267,118</u>
Net assets without donor restrictions	<u>9,247,461</u>	<u>8,949,272</u>

Note 2 - Net Assets (continued)

<u>At December 31</u>	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Legal Services to the Poor	\$ 231,123	\$ 440,139
Children's Law		2,500
Domestic & Sexual Violence Prevention	44,967	7,700
Volunteer Lawyers/Hotline	14,583	8,805
Homelessness Prevention	48,750	64,450
Justice for All	58,383	1,679
Health, Justice, and Medical-Legal Partnership	352,353	146,208
Community Economic Development	195,180	222,803
Total subject to expenditure for specified purpose or period	945,339	894,284
Not subject to spending policy or appropriation:		
Endowment investment in perpetuity	37,742	28,980
Net assets with donor restrictions	983,081	923,264
Total net assets	\$ 10,230,542	\$ 9,872,536

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>2021</u>	<u>2020</u>
Financial assets:		
Cash and equivalents	\$ 6,842,085	\$ 4,065,180
Grants and contracts receivable	626,481	709,420
Other receivables	8,582	8,597
Promises to give, net	136,418	211,161
Endowment investments	1,344,980	1,160,013
Beneficial interest in endowment funds	<u>156,526</u>	<u>139,871</u>
Total financial assets	<u>9,115,072</u>	<u>6,294,242</u>
Amounts not available for general expenditure:		
Board designated:		
Endowment fund	(1,307,238)	(1,131,033)
Beneficial interest in endowment funds	(156,526)	(139,871)
Capital and operating reserve	(1,300,000)	(1,300,000)
Total net assets with donor restrictions	(983,081)	(923,264)
Add back: restricted grants and contracts receivable	35,975	43,062
Add back: promises to give, current portion	<u>127,055</u>	<u>201,798</u>
Total amounts not available for general expenditure	<u>(3,583,815)</u>	<u>(3,249,308)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 5,531,257</u>	<u>\$ 3,044,934</u>

Line of Credit

The Organization maintained a line of credit to meet short-term working capital needs. Maximum borrowings were \$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, 2021 and 2020, and matured 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>2021</u>	<u>2020</u>	<u>2019</u>
Grants and contracts receivable	<u>\$ 626,481</u>	<u>\$ 709,420</u>	<u>\$ 628,630</u>
Promises to give:			
Due in less than one year	131,380	206,123	196,201
One to five years	<u>10,000</u>	<u>10,000</u>	<u>15,000</u>
Total unconditional promises to give	141,380	216,123	211,201
Less, allowance for uncollectible promises to give	(4,325)	(4,325)	(19,295)
Less, discount to net present value at 4.5%	<u>(637)</u>	<u>(637)</u>	<u>(1,255)</u>
Promises to give, net	<u>136,418</u>	<u>211,161</u>	<u>190,651</u>
<u>Total contract assets</u>	<u>\$ 762,899</u>	<u>\$ 920,581</u>	<u>\$ 819,281</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 Organization's 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>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 695,514	\$ 3,449
Revenue recognized that was included in deferred revenue at the beginning of the year	(695,514)	(3,449)
Increase in deferred revenue due to cash received during year	<u>2,861,983</u>	<u>695,514</u>
Deferred revenue, end of year	<u>2,861,983</u>	<u>695,514</u>
Client and other deposits, beginning of year	1,766	1,766
Deposits used for services provided or refunded to client	(1,766)	
Increase in client and other deposits due to cash received during year	<u>3,010</u>	<u></u>
Client and other deposits, end of year	<u>3,010</u>	<u>1,766</u>
<u>Total contract liabilities</u>	<u>\$ 2,864,993</u>	<u>\$ 697,280</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, 2021 and 2020, was \$156,526 and \$139,871, 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, 2021 and 2020, was \$65,490 and \$56,909, respectively. An additional legacy fund held by CFWNC was established in March 2019. The fair value of the fund at December 31, 2021 and 2020 was \$259,788 and \$234,130, 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

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.

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.

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.

Note 6 - Fair Value Measurements (continued)

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

<u>At December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and money market funds	\$ 143,550	\$	\$	\$ 143,550
Equity investments:				
Mutual funds - equity index	841,572			841,572
Mutual funds - bond index	329,549			329,549
Mutual funds - balanced	<u>30,309</u>			<u>30,309</u>
Total endowment investments	1,344,980			1,344,980
Beneficial interest in endowment funds			<u>156,526</u>	<u>156,526</u>
<u>Total fair value measurements</u>	<u>\$ 1,344,980</u>	<u>\$</u>	<u>\$ 156,526</u>	<u>\$ 1,501,506</u>

<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	1,160,013			1,160,013
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>

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

<u>Years Ended December 31</u>	<u>2021</u>	<u>2020</u>
Level 3 inputs, beginning of year	\$ 139,871	\$ 126,874
Contributions		1,000
Interest and dividends	3,017	1,560
Investment fees	(1,307)	(1,070)
Net gains on beneficial interest in endowment funds	<u>14,945</u>	<u>11,507</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 156,526</u>	<u>\$ 139,871</u>

Note 7 - Property and Equipment

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2021</u>	<u>2020</u>
Land	\$ 2,109,230	\$ 2,109,230
Buildings and improvements	2,964,538	2,945,659
Equipment and furniture	122,337	161,897
Vehicles	<u>62,904</u>	<u>62,904</u>
	5,259,009	5,279,690
Less, accumulated depreciation	<u>(1,090,284)</u>	<u>(1,012,572)</u>
<u>Property and equipment</u>	<u>\$ 4,168,725</u>	<u>\$ 4,267,118</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$117,272 and \$131,963, respectively.

Note 8 - 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>2021</u>	<u>2020</u>
Rental income	\$ <u>41,389</u>	\$ <u>41,389</u>
Rental expenses:		
Depreciation expense	7,670	6,370
Property taxes	2,839	2,969
Utilities	2,174	2,204
Maintenance	<u>1,671</u>	<u>2,412</u>
Total rental expenses	<u>14,354</u>	<u>13,955</u>
<u>Rental income, net</u>	<u>\$ 27,035</u>	<u>\$ 27,434</u>

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

<u>Years Ending December 31</u>	
2022	\$ 40,176
2023	40,176
2024	16,740
2025	
2026	<u> </u>
<u>Total future minimum payments</u>	<u>\$ 97,092</u>

Note 9 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>Years Ended December 31</u>	<u>2021</u>	<u>2020</u>
Pro bono legal services	\$ 727,035	\$ 835,750
Equipment and furniture		24,800
Advertising	50,092	25,304
Other professional services	5,446	4,837
Materials and other	<u>4,280</u>	<u>2,054</u>
<u>In-kind contributions</u>	<u>\$ 786,853</u>	<u>\$ 892,745</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.

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 for participation 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, 2021 and 2020, the Organization's contribution totaled 6.5% of eligible compensation or \$298,032 and \$241,762, respectively.

Note 11 - Related Party Transactions

During the years ended December 31, 2021 and 2020, the Organization received contributions from members of the Board of Directors totaling \$13,795 and \$93,843, 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.

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, 2020, 2019, and 2018, 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, 2021, the uninsured cash balance was \$5,563,656.

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 14 - 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.

Lease Commitments

The Organization leases office space under operating lease agreements. Total rent expense for all operating leases for the years ended December 31, 2021 and 2020, was \$56,785 and \$20,800, respectively. Future minimum payments under all non-cancelable operating leases are \$39,898 for the year ending December 31, 2022.

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 - 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.

Note 15 - Coronavirus Pandemic Impact (continued)

The Organization received increased community support and government grants to respond to and adapt the operations of the Organization to meet various regulations. Government grants received as a result of COVID-19 consist of \$252,289 in client eviction prevention funding and \$62,836 in federal funding to respond to increased demands during the year ended December 31, 2021.

Government grants received as a result of COVID-19 consist of \$104,377 in client eviction prevention funding, \$22,773 in federal funding to respond to increased demands, and \$869,003 in U.S. Small Business Administrative Paycheck Protection Program loan forgiveness during 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 July 15, 2022, the date on which the financial statements were available to be issued.

From January 2022 through the audit report date, the Organization's investments and beneficial interest in endowments experienced material declines in fair value. While recovery is uncertain and material adverse impacts could occur, the decline is expected to be temporary.

In January 2022, the Organization established a line of credit agreement with maximum borrowings of \$1,000,000. Interest is charged at the prime rate as published by the Wall Street Journal, currently 3.25%, and matures in January 2023. No draws were made on the account from January 2022 through the date the financial statements were 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 of
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, 2021, 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, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

To the Board of Directors
Pisgah Legal Services

Report on 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
July 15, 2022

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 of
Pisgah Legal Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pisgah Legal Services' compliance with the types of compliance requirements identified as subject to audit 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, 2021. Pisgah Legal Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for the Audit of Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pisgah Legal Services' federal programs.

To the Board of Directors
Pisgah Legal Services

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pisgah Legal Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pisgah Legal Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pisgah Legal Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

To the Board of Directors
Pisgah Legal Services

Report on Internal Control over Compliance (continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CARTER, P.C.

Asheville, North Carolina
July 15, 2022

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</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	92100363 & 92200232	\$ 32,500	\$
Community Development Block Grants/Entitlement Grants - COVID-19 Eviction Prevention Project	14.218	92100184 & 92200143	<u>252,289</u>	<u>228,624</u>
Total CDBG - Entitlement Grants Cluster			<u>284,789</u>	<u>228,624</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:				
Buncombe - Mountain Violence Prevention Project 2020	16.575	PROJ014316	339,843	
Buncombe - Legal Services for Rural, Immigrant, and Underserved Communities in WNC 2019	16.575	PROJ013443	513,893	
Passed through Buncombe County, North Carolina: Family Justice Center Project	16.575	660 & 1901	136,304	
Passed through Safelight, Inc. d/b/a Mainstay, Inc.: Henderson County Emergency Legal Assistance	16.575	PROJ014146	<u>36,845</u>	
Total Crime Victim Assistance			1,026,885	
Office of Violence Against Women:				
Legal Assistance for Victims	16.524		187,319	
Passed through Mediation Center: Justice Systems Response to Families	16.021		<u>17,941</u>	
Total U.S. Department of Justice			<u>1,232,145</u>	

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</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 Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	20/21 AANCT3SS & 21/22 AANCT3SS	\$ 85,747	\$
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act	93.044	2001NCSSC3-00	27,182	
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		7,826	
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act	93.044		5,884	
Passed through Henderson County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		44,750	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act	93.044		5,261	
Passed through Madison County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		4,171	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act	93.044		1,626	
Passed through Transylvania County, North Carolina:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		8,869	
Special programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - CARES Act	93.044		2,883	
Total Aging Cluster			<u>194,199</u>	

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2021

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass-through Grantor's Number	Expenditures	Pass-through to Subrecipients
FEDERAL AWARDS (continued)				
<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	\$ 46,428	\$
Family Violence Prevention and Services - CARES	93.671	56-1191115	20,000	_____
Total Family Violence Prevention and Services			66,428	_____
Total U.S. Department of Health and Human Services			260,627	_____
Total Federal Awards			\$ 1,777,561	\$ 228,624
STATE AWARDS				
<u>North Carolina Department of Health and Human Services</u>				
Passed through Legal Aid of North Carolina, Inc:				
Ombudsman Program			\$ 342,936	\$
<u>North Carolina Housing Finance Agency</u>				
Passed through Legal Aid of North Carolina, Inc:				
North Carolina State Home Foreclosure Prevention Project			30,000	
<u>North Carolina State Bar</u>				
Passed through North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (NC IOLTA):				
Domestic Violence Victim Assistance Act		02169 & 02470	43,359	_____
Total State Awards			\$ 416,295	\$ _____

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass-through to Subrecipients</u>
OTHER AWARDS				
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (NC IOLTA)</u>				
Legal Services to the Poor		2021-03	\$ 80,000	\$
Volunteer Lawyers' Program		2021-10	80,000	
Community Redevelopment		2019-CRD-03	225,000	
Home Defense Project		2021-18	<u>36,400</u>	
Total Other Awards			<u>\$ 421,400</u>	<u>\$</u>

Notes to the Schedule of Expenditures of Federal, State, and Other Awards

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, 2021. 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, 2021

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:
AL # 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, 2021

No findings were reported for the year ended December 31, 2020.

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