



PISGAH
LEGAL SERVICES

PISGAH LEGAL SERVICES

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended December 31, 2025 and 2024

PISGAH LEGAL SERVICES

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PISGAH LEGAL SERVICES

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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, 2025 and 2024, 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, 2025 and 2024, 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. 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 June 23, 2026, 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.



Asheville, North Carolina
June 23, 2026

PISGAH LEGAL SERVICES

Statements of Financial Position December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 11,724,575	\$ 6,593,733
Restricted	3,715	100
Grants and contracts receivable, current portion	1,878,206	1,115,455
Promises to give, current portion	14,220	10,220
Prepaid and deferred expenses	74,429	107,018
Deposits	<u>400</u>	<u>400</u>
Total current assets	13,695,545	7,826,926
 Promises to give, net of current portion	39,000	
Grants and contracts receivable, net of current portion	4,019,053	140,000
Endowment investments	2,242,537	1,968,414
Beneficial interest in endowment funds	198,646	173,475
Property and equipment	<u>4,947,668</u>	<u>5,038,026</u>
 Total assets	<u>\$ 25,142,449</u>	<u>\$ 15,146,841</u>
 Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 85,474	\$ 123,139
Accrued liabilities	422,066	395,441
Deferred revenue	235,873	302,062
Client and other deposits	<u>100</u>	<u>100</u>
Total current liabilities	<u>743,513</u>	<u>820,742</u>
 Net assets:		
Without donor restrictions	15,012,135	10,798,259
With donor restrictions	<u>9,386,801</u>	<u>3,527,840</u>
Total net assets	<u>24,398,936</u>	<u>14,326,099</u>
 Total liabilities and net assets	<u>\$ 25,142,449</u>	<u>\$ 15,146,841</u>

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

PISGAH LEGAL SERVICES

Statement of Activities Year Ended December 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenues			
Grants and contracts	\$ 1,034,944	\$ 17,498,359	\$ 18,533,303
Contributions	4,363,471	250,000	4,613,471
In-kind contributions	813,919		813,919
Rental income, net	24,513		24,513
Special events, net	75,011		75,011
Investment income, net	372,202	1,416	373,618
Net assets released from restrictions	<u>11,896,369</u>	<u>(11,896,369)</u>	
Total public support and other revenues	<u>18,580,429</u>	<u>5,853,406</u>	<u>24,433,835</u>
Expenses			
Program services	11,828,869		11,828,869
Supporting services	<u>2,776,359</u>		<u>2,776,359</u>
Total expenses	<u>14,605,228</u>		<u>14,605,228</u>
Increase in net assets before other gains	<u>3,975,201</u>	<u>5,853,406</u>	<u>9,828,607</u>
Other gains			
Net gains on endowment investments	217,666	5,555	223,221
Net gains on beneficial interest in endowment funds	<u>21,009</u>		<u>21,009</u>
Total other gains	<u>238,675</u>	<u>5,555</u>	<u>244,230</u>
Increase in net assets	4,213,876	5,858,961	10,072,837
Net assets at beginning of year	<u>10,798,259</u>	<u>3,527,840</u>	<u>14,326,099</u>
Net assets at end of year	<u>\$ 15,012,135</u>	<u>\$ 9,386,801</u>	<u>\$ 24,398,936</u>

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

PISGAH LEGAL SERVICES

Statement of Activities Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenues			
Grants and contracts	\$ 885,509	\$ 11,894,970	\$ 12,780,479
Contributions	4,612,439	240,000	4,852,439
In-kind contributions	632,532		632,532
Rental income, net	29,575		29,575
Special events, net	119,883		119,883
Investment income, net	227,069		227,069
Net assets released from restrictions	<u>9,269,998</u>	<u>(9,269,998)</u>	<u></u>
Total public support and other revenues	<u>15,777,005</u>	<u>2,864,972</u>	<u>18,641,977</u>
Expenses			
Program services	11,314,799		11,314,799
Supporting services	<u>2,450,467</u>	<u></u>	<u>2,450,467</u>
Total expenses	<u>13,765,266</u>	<u></u>	<u>13,765,266</u>
Increase in net assets before other gains	<u>2,011,739</u>	<u>2,864,972</u>	<u>4,876,711</u>
Other gains			
Net gains on endowment investments	138,454	4,306	142,760
Net gains on beneficial interest in endowment funds	11,606		11,606
Gain on lease termination	<u>460</u>	<u></u>	<u>460</u>
Total other gains	<u>150,520</u>	<u>4,306</u>	<u>154,826</u>
Increase in net assets	2,162,259	2,869,278	5,031,537
Net assets at beginning of year	<u>8,636,000</u>	<u>658,562</u>	<u>9,294,562</u>
Net assets at end of year	<u>\$ 10,798,259</u>	<u>\$ 3,527,840</u>	<u>\$ 14,326,099</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services						
	Legal Services to the Poor	Children's Law	Domestic & Sexual Violence Prevention	Mountain Area Volunteer Lawyers	Homeless Prevention	Elder Law	Justice for All
Salaries and benefits:							
Attorneys	\$ 192,425	\$ 210,937	\$ 618,905	\$ 104,589	\$ 757,718	\$ 225,064	\$ 345,455
Support	565,493	101,055	339,429	314,331	416,304	16,759	95,463
Administrative	122,621			98,155			
Contributed services				740,376			
Fringe benefits	<u>372,592</u>	<u>48,155</u>	<u>315,855</u>	<u>158,993</u>	<u>338,372</u>	<u>64,836</u>	<u>118,358</u>
Total salaries and benefits	1,253,131	360,147	1,274,189	1,416,444	1,512,394	306,659	559,276
Occupancy	30,373	3,170	23,765	10,989	25,580	3,876	8,273
Equipment rental	1,884	160	969	431	1,027	173	367
Office supplies	11,328	1,411	10,710	14,687	11,594	1,735	4,505
Postage	1,501	196	1,307	764	1,590	220	10,569
Telephone	13,361	1,633	11,006	5,129	11,592	1,805	3,991
Travel	5,472	95	2,847	2,178	5,983	118	1,378
Recruitment	1,344	56	650	1,713	732	74	291
Staff training	10,590	254	1,519	6,167	3,365	344	1,278
Library	3,517	669	4,308	2,001	4,439	704	1,590
Insurance	5,884	1,416	9,483	4,443	10,138	1,590	3,418
Dues and fees	10,239	839	7,401	3,350	8,189	1,253	3,953
Litigation	9,990	173	2,236	12,986	19,623	260	4,010
Contract services	23,904	972	6,652	34,983	6,711	994	2,345
Audit and accounting							
Technology	8,005	1,503	9,069	4,253	9,684	1,576	3,419
Client Assistance	1,250				9,058		
Other	11,467	478	2,413	1,108	2,359	407	995
Outsourced legal services	<u>1,232</u>	<u>213</u>	<u>1,558</u>	<u>774</u>	<u>1,580</u>	<u>227</u>	<u>534</u>
Total expenses before depreciation	1,404,472	373,385	1,370,082	1,522,400	1,645,638	322,015	610,192
Depreciation	<u>12,607</u>	<u>2,192</u>	<u>14,715</u>	<u>6,798</u>	<u>15,491</u>	<u>2,424</u>	<u>5,347</u>
Total expenses	<u>\$ 1,417,079</u>	<u>\$ 375,577</u>	<u>\$ 1,384,797</u>	<u>\$ 1,529,198</u>	<u>\$ 1,661,129</u>	<u>\$ 324,439</u>	<u>\$ 615,539</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)
Year Ended December 31, 2025

	Program Services			Supporting Services			
	Health and Economic Opportunity	Community Economic Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits:							
Attorneys	\$ 793,921	\$ 123,272	\$ 3,372,286	\$ 9,275	\$	\$ 9,275	\$ 3,381,561
Support	2,136,547	4,546	3,989,927	22,018	1,251	23,269	4,013,196
Administrative	73,390		294,166	855,339	920,987	1,776,326	2,070,492
Contributed services			740,376				740,376
Fringe benefits	<u>923,649</u>	<u>34,731</u>	<u>2,375,541</u>	<u>193,479</u>	<u>249,816</u>	<u>443,295</u>	<u>2,818,836</u>
Total salaries and benefits	3,927,507	162,549	10,772,296	1,080,111	1,172,054	2,252,165	13,024,461
Occupancy	78,691	2,471	187,188	18,495	18,810	37,305	224,493
Equipment rental	2,862	108	7,981	627	794	1,421	9,402
Office supplies	40,500	1,444	97,914	9,545	107,855	117,400	215,314
Postage	4,319	138	20,604	867	16,732	17,599	38,203
Telephone	45,299	1,120	94,936	7,243	8,625	15,868	110,804
Travel	18,473	75	36,619	520	2,367	2,887	39,506
Recruitment	1,742	47	6,649	421	612	1,033	7,682
Staff training	18,896	227	42,640	3,797	15,544	19,341	61,981
Library	12,378	438	30,044	2,849	3,340	6,189	36,233
Insurance	27,863	994	65,229	6,275	2,891	9,166	74,395
Dues and fees	40,704	821	76,749	27,736	20,226	47,962	124,711
Litigation	16,891	5,135	71,304	2,712	675	3,387	74,691
Contract services	18,771	6,170	101,502	26,383	5,078	31,461	132,963
Audit and accounting				88,662		88,662	88,662
Technology	27,527	972	66,008	28,664	21,301	49,965	115,973
Client Assistance			10,308				10,308
Other	6,794	244	26,265	38,009	13,050	51,059	77,324
Outsourced legal services	<u>4,396</u>	<u>140</u>	<u>10,654</u>	<u>1,033</u>	<u>1,188</u>	<u>2,221</u>	<u>12,875</u>
Total expenses before depreciation	4,293,613	183,093	11,724,890	1,343,949	1,411,142	2,755,091	14,479,981
Depreciation	<u>42,888</u>	<u>1,517</u>	<u>103,979</u>	<u>9,725</u>	<u>11,543</u>	<u>21,268</u>	<u>125,247</u>
Total expenses	<u>\$ 4,336,501</u>	<u>\$ 184,610</u>	<u>\$ 11,828,869</u>	<u>\$ 1,353,674</u>	<u>\$ 1,422,685</u>	<u>\$ 2,776,359</u>	<u>\$ 14,605,228</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services						
	Legal Services to the Poor	Children's Law	Domestic & Sexual Violence Prevention	Income Security	Mountain Area Volunteer Lawyers	Homelessness Prevention	Elder Law
Salaries and benefits:							
Attorneys	\$ 203,614	\$ 183,380	\$ 692,791	\$ 122,715	\$ 88,264	\$ 710,205	\$ 292,137
Paralegals	27,156				55,114		
Support	657,796	73,616	366,253		80,695	332,644	15,302
Administrative	25,467				78,173		
Contributed services					554,500		
Fringe benefits	<u>231,541</u>	<u>77,393</u>	<u>326,022</u>	<u>30,663</u>	<u>87,356</u>	<u>288,365</u>	<u>84,890</u>
Total salaries and benefits	1,145,574	334,389	1,385,066	153,378	944,102	1,331,214	392,329
Occupancy	52,297	4,453	28,730	2,530	5,785	29,794	6,796
Equipment rental	2,514	118	773	69	164	814	183
Office supplies	18,865	1,570	10,955	875	11,398	10,649	2,334
Postage	5,967	731	1,964	72	230	1,264	195
Telephone	19,301	1,708	11,033	971	2,212	11,369	2,611
Travel	4,869	155	1,411	44	133	3,552	176
Recruitment	3,394	190	1,296	116	1,992	1,525	303
Staff training	15,533	347	3,866	196	666	2,995	908
Library	3,467	463	3,005	265	606	3,408	710
Insurance	5,101	701	4,409	380	800	4,452	1,043
Dues and fees	8,919	817	5,765	456	1,008	5,197	1,236
Litigation	40,766	31	2,442	18	5,677		48
Contract services	16,953	266	13,091	164	72,433	2,088	426
Audit and accounting							
Technology	6,828	870	5,647	495	1,127	5,919	1,330
Client Assistance	4,753		1,000			205,021	
Other	21,160	62	416	36	87	420	96
Outsourced legal services					<u>240</u>		
Total expenses before depreciation	1,376,261	346,871	1,480,869	160,065	1,048,660	1,619,681	410,724
Depreciation	<u>16,897</u>	<u>2,002</u>	<u>13,000</u>	<u>1,145</u>	<u>2,633</u>	<u>13,560</u>	<u>3,070</u>
Total expenses	<u>\$ 1,393,158</u>	<u>\$ 348,873</u>	<u>\$ 1,493,869</u>	<u>\$ 161,210</u>	<u>\$ 1,051,293</u>	<u>\$ 1,633,241</u>	<u>\$ 413,794</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued) Year Ended December 31, 2024

	Program Services				Supporting Services			
		WNC						
	Justice for All	Health and Economic Opportunity	Community Economic Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits:								
Attorneys	\$ 255,787	\$ 626,323	\$ 156,594	\$ 3,331,810	\$ 3,280	\$ 36,970	\$ 40,250	\$ 3,372,060
Paralegals		9,327		91,597				91,597
Support	47,924	2,177,329		3,751,559	105,960	19,508	125,468	3,877,027
Administrative		16,269		119,909	692,663	804,539	1,497,202	1,617,111
Contributed services				554,500				554,500
Fringe benefits	<u>101,654</u>	<u>910,069</u>	<u>43,864</u>	<u>2,181,817</u>	<u>44,911</u>	<u>247,216</u>	<u>292,127</u>	<u>2,473,944</u>
Total salaries and benefits	405,365	3,739,317	200,458	10,031,192	846,814	1,108,233	1,955,047	11,986,239
Occupancy	7,966	87,478	4,191	230,020	19,534	24,353	43,887	273,907
Equipment rental	219	2,526	115	7,495	519	861	1,380	8,875
Office supplies	3,400	76,137	1,425	137,608	7,905	156,560	164,465	302,073
Postage	11,441	4,477	119	26,460	698	12,602	13,300	39,760
Telephone	3,050	49,024	1,619	102,898	7,509	9,326	16,835	119,733
Travel	1,023	26,885	74	38,322	343	1,875	2,218	40,540
Recruitment	1,340	4,139	194	14,489	28,954	1,909	30,863	45,352
Staff training	719	10,884	591	36,705	4,027	7,088	11,115	47,820
Library	838	9,976	441	23,179	2,055	2,550	4,605	27,784
Insurance	1,132	14,555	633	33,206	3,051	3,711	6,762	39,968
Dues and fees	2,095	38,416	760	64,669	4,263	11,817	16,080	80,749
Litigation	8,660	18,946	30	76,618	136	169	305	76,923
Contract services	604	6,567	273	112,865	34,685	2,904	37,589	150,454
Audit and accounting					78,933		78,933	78,933
Technology	1,583	19,277	825	43,901	8,844	28,391	37,235	81,136
Client Assistance				210,774				210,774
Other	138	1,347	61	23,823	5,122	3,088	8,210	32,033
Outsourced legal services				<u>240</u>	<u>1,830</u>		<u>1,830</u>	<u>2,070</u>
Total expenses before depreciation	449,573	4,109,951	211,809	11,214,464	1,055,222	1,375,437	2,430,659	13,645,123
Depreciation	<u>3,654</u>	<u>42,465</u>	<u>1,909</u>	<u>100,335</u>	<u>8,783</u>	<u>11,025</u>	<u>19,808</u>	<u>120,143</u>
Total expenses	<u>\$ 453,227</u>	<u>\$ 4,152,416</u>	<u>\$ 213,718</u>	<u>\$ 11,314,799</u>	<u>\$ 1,064,005</u>	<u>\$ 1,386,462</u>	<u>\$ 2,450,467</u>	<u>\$ 13,765,266</u>

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

PISGAH LEGAL SERVICES

Statements of Cash Flows Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Increase in net assets	\$ 10,072,837	\$ 5,031,537
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Present value adjustment	(200,947)	
Depreciation	125,247	120,143
Receipt of donated stock	(178,679)	(243,758)
Net gains on endowment investments	(223,221)	(142,760)
Net gains on beneficial interest in endowment funds	(21,009)	(11,606)
Amortization of operating lease right-of-use asset		53,784
Gain on lease termination		(460)
Changes in working capital - sources (uses):		
Grants and contracts receivable	(4,440,857)	(267,812)
Promises to give	(43,000)	(1,595)
Prepaid and deferred expenses	32,589	(56,900)
Advance grant payments		181,066
Accounts payable	(37,665)	47,669
Accrued liabilities	26,625	45,182
Deferred revenue	(66,189)	(252,503)
Client and other deposits		(410)
Operating lease liability		(53,957)
Net cash provided by operating activities	<u>5,045,731</u>	<u>4,447,620</u>
Cash flows from investing activities		
Proceeds from sale of investments	200,643	273,665
Purchases of investments	(80,893)	(71,437)
Contributions to endowment investments		(361,130)
Change in beneficial interest in endowment funds	3,865	2,948
Purchases of property and equipment	(34,889)	(925,659)
Net cash provided (used) by investing activities	<u>88,726</u>	<u>(1,081,613)</u>
Net increase in cash and equivalents and restricted cash	5,134,457	3,366,007
Cash and equivalents and restricted cash at beginning of year	<u>6,593,833</u>	<u>3,227,826</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 11,728,290</u>	<u>\$ 6,593,833</u>
Schedule of noncash investing and financing activities		
ROU assets removed with lease terminations	<u>\$</u>	<u>\$ 6,247</u>

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

PISGAH LEGAL SERVICES

Notes to Financial Statements
December 31, 2025 and 2024

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization

Pisgah Legal Services (the Organization) pursues justice to improve lives for low-income people in Western North Carolina through legal assistance and advocacy. Pisgah Legal Services 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 free civil legal aid, anti-poverty advocacy, and access to health care to people with low income in Western North Carolina (WNC). Pisgah Legal Services annually helps more than 23,000 people meet their most basic needs for housing, safety, income, and health care.

Pisgah Legal Services envisions a community where all people have access to civil legal assistance when they need it to protect their basic rights and secure essentials, such as housing, health care, income, and safety from abuse. We envision a community with policies and services in place that reduce poverty and ease the burdens of poverty on our neighbors.

Program Descriptions

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, including clearing criminal records, restoring drivers' licenses, and removing barriers to employment, housing, education, and benefits. The program also includes assisting homeless or otherwise vulnerable military veterans by obtaining or maintaining stable housing, securing disability benefits, and accessing quality health care and health insurance.
- *Children's Law:* Helps disadvantaged children avoid homelessness; escape abuse and/or maltreatment; 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:* Defends consumer rights, addresses fraud, and stops predatory lending practices by protecting clients' limited income and resources from unfair debt collection. Also helps medical patients address legal issues that impact "social determinants" that impact their health, such as domestic violence, housing, or crushing debt.
- *Mountain Area Volunteer Lawyer Program:* Harnesses the power of volunteer attorneys by providing opportunities to serve Pisgah Legal clients pro bono.
- *Homelessness Prevention:* Prevents families and individuals from losing their homes to eviction or foreclosure and improves existing housing conditions.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Program Descriptions (continued)

- *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 WNC immigrants work legally, secure legal status, and addresses other basic poverty needs. Provides legal documents to address cases of family separation.
- *WNC Health and Economic Opportunity*: Obtains and protects public benefits for people with low incomes, including SNAP, SSI/SSDI, Medicaid, and Social Security. Assists Medicaid beneficiaries and applicants to protect Medicaid rights through legal advice and representation. Provides a low-income taxpayer clinic, offering tax controversy services to low-income and English as a second language taxpayers through education and representation in federal and state tax disputes. Helps people enroll in Affordable Care Act health insurance plans and helps low-income families gain access to increased income through the Earned Income Tax Credit, ACA Tax Credit, and Child Tax Credits.
- *Community Economic Development*: Increases jobs and affordable housing through advocacy and by providing technical, legal assistance to support and build capacity of nonprofits, faith groups, small businesses, 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.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions or grants received for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on endowment investments and beneficial interest in endowment funds. Non-operating activities are limited to resources that generate return from endowment investments and beneficial interest in endowment funds 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 grants and contracts receivable; 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 grants and contracts receivable approximate fair value due to the net present value adjustment applied to outstanding balances.

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectible promises to give.

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

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

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 and Contracts Receivable

Grants and contracts receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Conditional grants and contracts receivable are not recognized in the financial statements until the conditions are substantially met. Unconditional grants and contracts receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants and contracts receivable 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 grants and contracts are expected to be received. Amortization of the discount is included in grants and contracts.

All grants and contracts receivables are considered by management to be fully collectible and therefore no allowance for uncollectible grants and contracts receivable 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 grants and contracts receivable when management determines collection is unlikely.

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.

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.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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.

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.

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).

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 beyond 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.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as in-kind 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. Noncash donated assets are described in Note 10.

Donated Services

Donated services are recognized as in-kind 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. Donated services are described in Note 10.

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.

A portion of the Organization's grants and contracts 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 \$185,239 and \$234,299, that have not been recognized as of December 31, 2025 and 2024, 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 9, Rental Activities.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Advertising

The Organization uses advertising to promote 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, 2025 and 2024, was \$32,381 and \$60,435, respectively.

Leases

The Organization determines if an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying statements of financial position. Finance leases are recorded as finance lease ROU assets and finance lease liabilities in the accompanying statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments. Most leases do not provide an implicit interest rate, therefore the Organization uses the incremental borrowing rate based on information available at the commencement date to determine the present value of lease payments.

Lease terms may include options to renew when it is reasonably certain the Organization will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants.

The Organization has elected to apply the short-term lease exemption to all leases with a remaining term of 12 months or less and those that are considered immaterial.

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 paralegals, audit and accounting, contributed services, and client assistance are allocated based on estimates of time and effort. Paralegals, contributed services, and client assistance are directly related to program services. Audit and accounting is directly related to supporting services.

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.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)**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 2 - Net Assets

Net assets are described as follows:

<u>At December 31</u>	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Undesignated	\$ 5,311,605	\$ 1,649,480
Board designated:		
Endowment fund	2,179,909	1,912,758
Beneficial interest in endowment funds	198,646	173,475
Capital and operating reserve	2,374,307	2,024,520
Investment in property and equipment	<u>4,947,668</u>	<u>5,038,026</u>
Net assets without donor restrictions	<u>15,012,135</u>	<u>10,798,259</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Legal Services to the Poor	5,139,284	260,784
Homelessness Prevention	40,000	87,001
Justice for All Program		20,919
Health, Justice, and Medical-Legal Partnership	4,345,836	3,103,480
Less discount on long-term receivables	<u>(200,947)</u>	<u></u>
Total subject to expenditure for specified purpose or period	9,324,173	3,472,184
Not subject to spending policy or appropriation:		
Endowment investment in perpetuity	<u>62,628</u>	<u>55,656</u>
Net assets with donor restrictions	<u>9,386,801</u>	<u>3,527,840</u>
Total net assets	<u>\$ 24,398,936</u>	<u>\$ 14,326,099</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.

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

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.

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

<u>At December 31</u>	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and equivalents	\$ 11,728,290	\$ 6,593,833
Grants and contracts receivable	5,897,259	1,255,455
Promises to give, net	53,220	10,220
Endowment investments	2,242,537	1,968,414
Beneficial interest in endowment funds	<u>198,646</u>	<u>173,475</u>
Total financial assets	<u>20,119,952</u>	<u>10,001,397</u>
Amounts not available for general expenditure:		
Board designated:		
Endowment fund	(2,179,909)	(1,912,758)
Beneficial interest in endowment funds	(198,646)	(173,475)
Capital and operating reserve	(2,374,307)	(2,024,520)
Net assets with donor restrictions	(9,386,801)	(3,527,840)
Add back: promises to give, current portion, net	<u>14,220</u>	<u>10,220</u>
Total amounts not available for general expenditure	<u>(14,125,443)</u>	<u>(7,628,373)</u>
Net financial assets available to meet cash needs for		
<u>general expenditures within one year</u>	<u>\$ 5,994,509</u>	<u>\$ 2,373,024</u>

Line of Credit

In January 2022, the Organization established a line of credit agreement to meet short-term working capital needs. Maximum borrowings are \$1,000,000 and the line is secured by real estate. The line of credit matures in January 2028. Interest is established at the prime rate as published by the Wall Street Journal, 6.75% at December 31, 2025. The line of credit did not have an outstanding balance at December 31, 2025.

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, amounts expected to be receivable based on contractual terms without conditions, or the present value of future cash flows. Promises to give are recorded at net realizable value.

The following table provides information about contract assets:

<u>At December 31</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Grants and contracts receivable			
Due in less than one year	\$ 1,878,206	\$ 1,115,455	\$ 987,643
One to five years	<u>4,220,000</u>	<u>140,000</u>	<u> </u>
Total grants and contracts receivable	6,098,206	1,255,455	987,643
Less, discount to net present value at 3.25%	<u>(200,947)</u>	<u> </u>	<u> </u>
Grants and contracts receivable, net	5,897,259	1,255,455	987,643
Promises to give:			
Due in less than one year	17,595	13,595	3,500
One to five years	<u>39,000</u>	<u> </u>	<u>9,000</u>
Total unconditional promises to give	56,595	13,595	12,500
Less, allowance for uncollectible promises to give	(3,375)	(3,375)	(3,375)
Less, discount to net present value at 4%	<u> </u>	<u> </u>	<u>(500)</u>
Promises to give, net	<u>53,220</u>	<u>10,220</u>	<u>8,625</u>
<u>Total contract assets</u>	<u>\$ 5,950,479</u>	<u>\$ 1,265,675</u>	<u>\$ 996,268</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 goods 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.

Note 4 - Contract Assets and Liabilities (continued)

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

Years Ended December 31	2025	2024
Deferred revenue, beginning of year	\$ 302,062	\$ 554,565
Revenue recognized that was included in deferred revenue at the beginning of the year	(268,112)	(520,000)
Increase in deferred revenue due to cash received during year	<u>201,923</u>	<u>267,497</u>
Deferred revenue, end of year	<u>235,873</u>	<u>302,062</u>
Client and other deposits, beginning of year	100	510
Deposits used for services provided or refunded to client	<u> </u>	<u>(410)</u>
Client and other deposits, end of year	<u>100</u>	<u>100</u>
Total contract liabilities	\$ 235,973	\$ 302,162

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 the 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, 2025 and 2024, was \$198,646 and \$173,475, 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, 2025 and 2024, was \$89,964 and \$74,528, respectively. An additional legacy fund held by CFWNC was established in March 2019. The fair value of the fund at December 31, 2025 and 2024 was \$310,164 and \$272,449, 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.

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

<u>At December 31, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and money market funds	\$ 407,976	\$	\$	\$ 407,976
Equity investments:				
Mutual funds - equity index	1,250,594			1,250,594
Mutual funds - bond index	529,912			529,912
Mutual funds - balanced	54,055			54,055
Total endowment investments	2,242,537			2,242,537
Beneficial interest in endowment funds			198,646	198,646
<u>Total fair value measurements</u>	<u>\$ 2,242,537</u>	<u>\$</u>	<u>\$ 198,646</u>	<u>\$ 2,441,183</u>

Note 6 - Fair Value Measurements (continued)

At December 31, 2024	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and money market funds	\$ 388,307	\$	\$	\$ 388,307
Equity investments:				
Mutual funds - equity index	1,123,214			1,123,214
Mutual funds - bond index	406,312			406,312
Mutual funds - balanced	<u>50,581</u>			<u>50,581</u>
Total endowment investments	1,968,414			1,968,414
Beneficial interest in endowment funds			<u>173,475</u>	<u>173,475</u>
Total fair value measurements	\$ 1,968,414	\$	\$ 173,475	\$ 2,141,889

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

Years Ended December 31	2025	2024
Level 3 inputs, beginning of year	\$ 173,475	\$ 158,921
Interest and dividends	5,689	4,444
Investment fees	(1,527)	(1,496)
Net gains on beneficial interest in endowment funds	<u>21,009</u>	<u>11,606</u>
Level 3 inputs, end of year	\$ 198,646	\$ 173,475

Note 7 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2025	2024
Land	\$ 3,041,243	\$ 3,036,743
Buildings and improvements	3,098,902	3,073,012
Equipment and furniture	126,225	121,725
Vehicles	<u>192,216</u>	<u>192,216</u>
	6,458,586	6,423,696
Less, accumulated depreciation	<u>(1,510,918)</u>	<u>(1,385,670)</u>
Property and equipment	\$ 4,947,668	\$ 5,038,026

Depreciation expense for the years ended December 31, 2025 and 2024, was \$125,247 and \$120,143, respectively.

Note 8 - Leases

The Organization leases office space under operating lease agreements. Leases with an initial term of 12 months or less, or those that are considered immaterial, are not recorded in the statements of financial position. Management has determined all remaining operating leases meet this criterion and has not recognized operating lease agreements as operating lease liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term. These leases require various monthly payments and expire through September 2026. Future minimum lease payments through the fiscal year ending December 31, 2026, total \$13,620, with no amounts due thereafter.

The following summarize the line items in the accompanying statements of functional expenses which include the components of lease costs:

<u>Years Ended December 31</u>	<u>2025</u>	<u>2024</u>
Short-term leases, included in occupancy expense	\$ 126,673	\$ 108,055
Operating lease costs, included in occupancy expense	<u> </u>	<u>53,975</u>
Total lease costs	\$ 126,673	\$ 162,030

Note 9 - Rental Activities

The Organization leases a portion of its building to an unrelated party under a non-cancelable operating lease agreement that expires in May 2029. The building lease does not transfer ownership of the leased asset and does not provide an option for the lessee to purchase the asset. After the current term, the lessee has the option to renew the lease for up to two additional five-year terms.

At lease inception, the Organization determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Organization only reassesses if the terms and conditions of the contract are changed.

Future minimum payments to be received under this lease are as follows:

<u>Years Ending December 31</u>	
2026	\$ 44,196
2027	44,196
2028	44,196
2029	18,415
2030	<u> </u>
Total future minimum payments	\$ 151,003

Note 10 - In-kind Contributions

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization. Donated pro bono services consist of attorney services. Other donated professional services consist of videographers and keynote speakers at events. 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.

In-kind contributions are summarized as follows:

<u>Year Ended December 31, 2025</u>			
	<u>Fair value</u>	<u>Usage in Program</u>	<u>Donor restriction</u>
Pro bono services	\$ 740,376	Program services	None
Advertising	9,142	Program services	None
Other professional services	3,150	Program services	None
Materials	26,876	Program services	None
Technology	<u>34,375</u>	Program services	None
In-kind contributions	<u>\$ 813,919</u>		
<u>Year Ended December 31, 2024</u>			
	<u>Fair value</u>	<u>Usage in Program</u>	<u>Donor restriction</u>
Pro bono services	\$ 554,500	Program services	None
Advertising	9,109	Program services	None
Other professional services	2,757	Program services	None
Materials	45,166	Program services	None
Technology	<u>21,000</u>	Program services	None
In-kind contributions	<u>\$ 632,532</u>		

Note 10 - In-kind Contributions (continued)

Fair valuation techniques - Pro bono services are valued using a standard rate of \$250 per service hour. Advertising is valued at the price that would be paid to purchase similar advertising spots. Other donated services are valued at the fair value of the services, which is provided by the service provider. Supplies, materials, and other in-kind contributions are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

Note 11 - Retirement Plan

At the Board of Director's discretion, the Organization contributes to a 401(k) plan for all eligible employees. Employees are eligible for participation after six months of service. The contribution is based on an established percentage of the employees' annual compensation. For the years ended December 31, 2025 and 2024, the Organization's contribution totaled 6.5% of eligible compensation or \$489,497 and \$386,200, respectively.

Note 12 - Related Party Transactions

During the years ended December 31, 2025 and 2024, the Organization received contributions from members of the Board of Directors totaling \$30,353 and \$78,546, respectively.

Note 13 - 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) for the years ended December 31, 2024, 2023, and 2022, are subject to examination by the IRS, generally for three years after they were filed.

Note 14 - Concentrations of Credit Risk

Uninsured Cash Balances

The Organization maintains its cash and equivalents with major banks and financial institutions. Generally, the amounts will exceed coverage limits insured by the Federal Deposit Insurance Corporation (FDIC) or be partially uninsured.

Note 14 - Concentrations of Credit Risk (continued)

Investment Risk

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.

Concentrations of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Organization's total revenue. For the year ended December 31, 2025, two grantors each represented 10% or more of the Organization's total revenue. Grants and contracts from these grantors totaled \$8,470,004 for the year ended December 31, 2025.

For the year ended December 31, 2024, one grantor represented 10% or more of the Organization's total revenue. Grants and contracts from this grantor totaled \$5,660,600 for the year ended December 31, 2024.

At December 31, 2025 and 2024, grants and contracts receivable from these grantors totaled \$2,250,000 and \$0, respectively.

Note 15 - 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.

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 16 - Subsequent Events

Management has evaluated subsequent events through June 23, 2026, 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 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, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2026.

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.



Asheville, North Carolina
June 23, 2026

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, 2025. 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, 2025.

Basis for Opinion on Each Major Federal Program

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



Asheville, North Carolina
June 23, 2026

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards Year Ended December 31, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development:			
Passed through City of Asheville, North Carolina:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	95200133	\$ 49,937
<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	16.575	2000071120 & 2000080618	339,245
Passed through Buncombe County, North Carolina:			
Crime Victim Assistance	16.575		162,918
Passed through Safelight, Inc. d/b/a Mainstay, Inc.:			
Crime Victim Assistance	16.575		27,165
Total Crime Victim Assistance			529,328
Office of Violence Against Women:			
Passed through The Mediation Center:			
Justice Systems Response to Families	16.021		43,040
Total U.S. Department of Justice			572,368
<u>U.S. Department of Veterans Affairs</u>			
Legal Services for Homeless Veterans and Veterans At-Risk for Homelessness	64.056		277,173

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>U.S. Department of Health and Human Services</u>			
Administration for Community Living:			
Aging Cluster:			
Passed through Land of Sky Regional Council:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		\$ 27,783
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		2,802
Passed through Henderson County, North Carolina:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		54,546
Passed through Transylvania County, North Carolina:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		1,887
Passed through Madison County, North Carolina:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		782
Total Aging Cluster			<u>87,800</u>
Administration for Children and Families:			
Passed through North Carolina Council for Women and Youth Involvement:			
		1000023982	
Family Violence Prevention and Services	93.671	& 1000028192	155,142
COVID -19 - Family Violence Prevention and Services	93.671	1000023698	<u>107,386</u>
Total Family Violence Prevention and Services			<u>262,528</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>U.S. Department of Health and Human Services (continued)</u>			
Centers for Medicare and Medicaid Services:			
Passed through Legal Aid of North Carolina, Inc:			
Cooperative Agreement to Support Navigators in			
Federally Facilitated Exchanges	93.332		\$ 213,704
Total U.S. Department of Health and Human Services			<u>564,032</u>
<u>U.S. Department of the Treasury</u>			
Internal Revenue Service:			
Passed through City of Asheville, North Carolina:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	92300214	225,932
Passed through North Carolina Human Trafficking Commission:			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>20,919</u>
Total Coronavirus State and Local Fiscal Recovery Funds			246,851
Volunteer Income Tax Assistance	21.009	25VITA0219 & 26VITA0245	72,424
Low Income Taxpayer Clinics	21.008	25-LITC0691-02	<u>205,578</u>
Total U.S. Department of the Treasury			<u>524,853</u>
Total Federal Awards			<u>\$ 1,988,363</u>
STATE AWARDS			
<u>North Carolina Housing Finance Agency</u>			
Passed through Legal Aid of North Carolina, Inc:			
North Carolina State Home Foreclosure Prevention Project			\$ 40,080

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
STATE AWARDS (continued)			
<u>North Carolina Department of Health and Human Services</u>			
Passed through Legal Aid of North Carolina, Inc:			
Ombudsman Program			\$ 724,948
Passed through Impact Health:			
Healthy Opportunities Pilot Program			473,992
<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			<u>22,625</u>
Total State Awards			<u>\$ 1,261,645</u>
OTHER AWARDS			
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (NC IOLTA)</u>			
General Support			\$ 235,000
DV			300,000
Disaster Relief			700,000
Strategic Support			150,000
Justice For All Project			110,000
Volunteer Lawyers' Program			225,000
Community Redevelopment			100,000
Home Defense Project			40,080
Legal Needs Assessment			<u>103,314</u>
Total Other Awards			<u>\$ 1,963,394</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued)
Year Ended December 31, 2025

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, 2025. 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 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance, with the exception of the Coronavirus State and Local Fiscal Recovery Funds passed through the City of Asheville, which has an agreed upon 12.5-percent indirect cost rate.

PISGAH LEGAL SERVICES

Schedule of Findings and Questioned Costs December 31, 2025

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 1,000,000.

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, 2025

No findings were reported for the year ended December 31, 2024.

No findings were reported for the year ended December 31, 2023.