

# **LEGAL AID JUSTICE CENTER**

**Financial Statement  
and  
Accompanying Information  
for the year ended  
June 30, 2022**

**(With comparative financial information  
as of June 30, 2021)**

# LEGAL AID JUSTICE CENTER

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**Frank Barcalow CPA, P.L.L.C.**  
**Certified Public Accountant**

**Independent Auditor's Report**

The Board of Directors  
Legal Aid Justice Center  
Charlottesville, Virginia

**Opinion**

We have audited the accompanying financial statements of Legal Aid Justice Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Justice Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Justice Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures

include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Justice Center's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid Justice Center's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Summarized Comparative Information**

We have previously audited the Legal Aid Justice's 2021 financial statements, and our report dated July 30, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support, revenue and expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
September 23, 2022

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Members American Institute of Certified Public Accountants

# Legal Aid Justice Center

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## Statement of Financial Position

June 30, 2022

(with comparative totals for the year ended June 30, 2021)

Assets	2022	2021
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,098,249	\$ 2,504,282
Investments	11,469,144	3,236,993
Cash in escrow, client deposits	48,240	14,258
Other receivables	294,133	367,724
Prepaid expenses	120,897	49,738
<b>Total current assets</b>	<b>14,030,663</b>	<b>6,172,995</b>
Property and equipment		
Furniture, improvements and property, net	1,508,025	1,274,090
Other assets		
Deposits	21,477	22,477
<b>Total assets</b>	<b>\$ 15,560,165</b>	<b>\$ 7,469,562</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 350,638	\$ 148,461
Note payable - short term	-	-
Client deposits	48,240	14,258
Unearned revenue	13,035,086	4,936,655
Deposits payable	4,127	4,127
<b>Total current liabilities</b>	<b>13,438,091</b>	<b>5,103,501</b>
Note Payable	-	-
<b>Total liabilities</b>	<b>13,438,091</b>	<b>5,103,501</b>
<b>Commitments</b>		
<b>Net assets</b>		
<b>Without donor restrictions</b>		
General	614,049	1,091,971
Property and equipment	1,508,025	1,274,090
<b>Total net assets</b>	<b>2,122,074</b>	<b>2,366,061</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,560,165</b>	<b>\$ 7,469,562</b>

See notes to financial statements.

# Legal Aid Justice Center

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## Statement of Activities

For the Year Ended June 30, 2022

(with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Support and revenue</b>				
Grants and contracts	\$ 4,575,384	\$ 488,251	\$ 5,063,635	\$ 4,756,988
Local funding	1,056,498	-	1,056,498	870,456
Investment income	(305,530)	-	(305,530)	230,383
Donated services	3,852,859	-	3,852,859	5,688,757
Contributions	1,700,148	-	1,700,148	965,001
Other income	1,328,874	-	1,328,874	882,200
	<u>12,208,233</u>	<u>488,251</u>	<u>12,696,484</u>	<u>13,393,785</u>
Net assets released from restrictions				
Expiration of time or purpose restrictions	<u>488,251</u>	<u>(488,251)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>12,696,484</u>	<u>-</u>	<u>12,696,484</u>	<u>13,393,785</u>
<b>Expenses</b>				
<b>Program services</b>				
Legal assistance	11,046,955	-	11,046,955	11,655,721
<b>Supporting services</b>				
Management and general	1,017,612	-	1,017,612	756,741
Fund-raising expenses	875,904	-	875,904	668,660
	<u>12,940,471</u>	<u>-</u>	<u>12,940,471</u>	<u>13,081,122</u>
<b>Total expenses</b>	<u>12,940,471</u>	<u>-</u>	<u>12,940,471</u>	<u>13,081,122</u>
<b>Change in net assets</b>	(243,987)	-	(243,987)	312,663
<b>Net assets at beginning of year</b>	<u>2,366,061</u>	<u>-</u>	<u>2,366,061</u>	<u>2,053,398</u>
<b>Net assets at end of year</b>	<u>\$ 2,122,074</u>	<u>\$ -</u>	<u>\$ 2,122,074</u>	<u>\$ 2,366,061</u>

See notes to financial statements.

# Legal Aid Justice Center

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## Statement of Functional Expenses

June 30, 2022

(with summarized totals for the year ended June 30, 2021)

	Program Services	Supporting Services	Fundraising Expense	2022 Total Expenses	2021 Total Expenses
Attorney salaries	\$ 2,685,519	\$ 75,459	\$ 37,133	\$ 2,798,111	\$ 2,563,768
Fringe benefits	1,313,998	183,083	175,452	1,672,533	1,295,062
Other professional salaries	1,808,248	596,764	549,659	2,954,671	1,974,977
Audit	7,256	944	-	8,200	8,200
Board expenses	-	-	-	-	1,293
Communication	131,313	423	377	132,113	112,269
Consultant fees	107,228	13,946	-	121,174	231,521
Consumables	25,444	3,743	3,336	32,523	17,403
Donated services and equipment	3,852,859	-	-	3,852,859	5,688,757
Equipment rental and repair	151,665	19,725	-	171,390	182,349
Fundraising	-	-	48,872	48,872	80,994
Insurance	38,133	5,609	4,999	48,741	42,334
Interest expense	-	-	-	-	2,497
Library expense	29,837	-	-	29,837	27,634
Litigation	30,106	-	-	30,106	22,979
Occupancy	295,624	62,923	56,076	414,623	390,435
Office dues	27,032	-	-	27,032	31,271
Other expenses	68,508	12,391	-	80,899	19,775
Postage	8,146	1,060	-	9,206	5,485
Recruiting	13,571	-	-	13,571	3,553
Reproduction	2,820	367	-	3,187	2,743
Subgrants	133,057	-	-	133,057	161,927
Technologies upgrades	47,136	6,130	-	53,266	37,341
Training	83,845	10,905	-	94,750	19,564
Travel	82,279	10,701	-	92,980	37,838
Depreciation	103,331	13,439	-	116,770	119,153
	<u>\$ 11,046,955</u>	<u>\$ 1,017,612</u>	<u>\$ 875,904</u>	<u>\$ 12,940,471</u>	<u>\$ 13,081,122</u>

See notes to financial statements.

# Legal Aid Justice Center

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## Statement of Cash Flows

For the Year Ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (243,987)	\$ 312,663
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	116,770	119,153
(Increase) decrease in receivables	73,592	(155,814)
(Increase) decrease in prepaid expenses	(71,159)	843
(Increase) decrease in deposits	1,000	126
Increase (decrease) in accounts payable	202,176	(149,155)
Increase (decrease) in unearned revenue	8,098,431	1,501,021
Increase (decrease) in deposits payable	-	(14,195)
	<u>8,176,823</u>	<u>1,614,642</u>
<b>Net cash provided by (used by) operations</b>		
	<u>8,176,823</u>	<u>1,614,642</u>
<b>Cash flows used in investing activities</b>		
Additions to property and equipment	(307,336)	(11,456)
Additions to investments	(8,275,520)	(992,398)
	<u>(8,582,856)</u>	<u>(1,003,854)</u>
<b>Net cash provided by (used by) investing activities</b>		
	<u>(8,582,856)</u>	<u>(1,003,854)</u>
<b>Cash flows used in financing activities</b>		
Principle payments on note payable	-	(275,706)
Note payable PPP	-	(586,900)
	<u>-</u>	<u>(862,606)</u>
<b>Net cash provided by (used by) financing activities</b>		
	<u>-</u>	<u>(862,606)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(406,033)	(251,818)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,504,282</u>	<u>2,756,100</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u><u>2,098,249</u></u>	\$ <u><u>2,504,282</u></u>
<b>Supplemental disclosure of cash flows information</b>		
Cash paid during the year for interest	\$ <u><u>-</u></u>	\$ <u><u>2,497</u></u>

See notes to financial statements.



# Legal Aid Justice Center

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## Notes to Financial Statements June 30, 2022

### Note 1 - Nature of activities and summary of significant accounting policies

#### *Nature of activities*

Legal Aid Justice Center (LAJC) is a non-profit corporation organized for the purpose of reducing poverty in Virginia through individual legal services, policy advocacy, impact litigation, and community organizing to low-income Virginians.

#### *Promises to give*

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Corporation uses the allowance method to determine uncollectible unconditional contributions receivable. Historically, there have not been significant differences between the amounts allocated and collected. Accordingly, no provision has been made for uncollectible amounts.

#### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States. Under generally accepted accounting principles, Legal Aid Justice Center is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Cash equivalents*

For purposes of the Statement of Cash Flows, Legal Aid Justice Center considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the Statement of Cash Flows exclude donor restricted cash and cash equivalents.

#### *Income taxes*

Legal Aid Justice Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Legal Aid Justice Center is also exempt from Virginia income taxes and, therefore, has made no provision for federal or Virginia income taxes. In addition, the Internal Revenue Service has determined that Legal Aid Justice Center is not a "private foundation" within the meaning of Section 509(a) of the Code. LAJC's income tax returns are potentially subject to examination by the Internal Revenue Service generally for three years after being filed. The Corporation has no uncertain tax positions for the current year or prior year.

# Legal Aid Justice Center

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## Notes to Financial Statements June 30, 2022

### Note 1 - Summary of significant accounting policies (continued)

#### *Investments*

Investments are composed of Bond ETF funds and mutual funds. Investments in marketable ETF funds and mutual funds are reported at readily determinable fair market values.

#### *Donated services*

Legal Aid Justice Center recognizes donated services as support. Donated services represent a variety of services the organization would otherwise have to pay for including pro-bono delivery of legal services, administrative support, and other professional services. A matching expense is also recorded. The value of the donated services is recorded at market value as determined by the Board of Directors each year. Other in-kind contributions are recorded when received at fair value as income and expense.

#### *Property and equipment*

Building, land and equipment are stated at cost, if purchased, and at fair value at date of receipt, if donated. Expenditures for acquisition, renewals and betterments greater than \$5,000 are capitalized, whereas maintenance and repair costs are charged to expense as incurred. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is recorded in the Statement of Activities.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets. Useful lives range from 3 to 10 years for furniture, fixtures and equipment, 5 years for leasehold improvements, and 5 years for the law libraries. The building will be depreciated over a period of 30 years.

#### *Allocation of expenses*

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

#### *Grant contract support*

Legal Aid Justice Center recognizes grant funds as awarded.

#### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### *Functional expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on funding basis. Any expenses that can be identified to a funding source are directly charged to appropriate grant.

# Legal Aid Justice Center

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## Notes to Financial Statements June 30, 2022

### Note 2 - Investments

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for available-for-sale investments at June 30, 2022 and 2021 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Money market	\$ 1 168 030	\$ -	\$ -	\$ 1 168 030
Mutual fund	4 030 098	-	( 307 717)	3 722 381
Exchange traded funds	7 670 704	9 889	(1 101 860)	6 578 733
	<u>\$ 12 868 832</u>	<u>\$ 9 889</u>	<u>\$ (1 409 577)</u>	<u>\$ 11 469 144</u>
2021				
Money market	\$ 21 020	\$ -	\$ -	\$ 21 020
Mutual fund	1 773 330	194 290	-	1 967 620
ETF Bond Funds	1 199 885	48 468	-	1 248 353
	<u>\$ 2 994 235</u>	<u>\$ 242 758</u>	<u>\$ -</u>	<u>\$ 3 236 993</u>

Unrealized investment losses totaled \$514,334, realized gains totaled \$122,190, interest income of \$1,968 and dividends totaled \$108,222 for 2022.

### Note 3 - Property and equipment

A summary of property and equipment follows:

	June 30, 2022		June 30, 2021	
	Cost or Value	Accumulated Depreciation	Cost or Value	Accumulated Depreciation
Property and equipment purchased	\$ 320 146	\$ 235 175	\$ 349 951	\$ 255 052
Software	31 640	-	-	-
Property and equipment donated	9 627	9 627	9 627	9 627
Land	100 000	-	100 000	-
Buildings	2 728 452	1 522 552	2 423 389	1 435 938
Leasehold improvements	150 215	64 701	149 777	58 037
Law library, purchased	24 824	24 824	24 824	24 824
Law library, donated	13 085	13 085	13 085	13 085
	<u>\$ 3 377 989</u>	<u>\$ 1 869 964</u>	<u>\$ 3 070 653</u>	<u>\$ 1 796 563</u>

Depreciation expense for the current year was \$116 770.

# Legal Aid Justice Center

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## Notes to Financial Statements June 30, 2021

### Note 4 - Lease commitments

Legal Aid Justice Center has leases for offices located in Falls Church, Petersburg and Richmond, Virginia. Rent expense for all the offices totaled \$276,184 for 2022. The Falls Church office has a five year lease through August 15, 2022 at a current base rent of \$10,800 per month, with a 5% annual rate increase. The Richmond office has a ten year lease through April 30, 2030 at a base rent of \$10,008 per month with a 2.5% annual increase. The Petersburg office has a three year lease through March 31, 2024 at a base rent of \$1,000 per month and allows for five, three year extensions. Future lease payments are as follows:

2023	\$	149 757
2024		134 632
2025		129 828
2026		145 254
2027		148 885
thereafter		<u>442 523</u>
	\$	<u>1 686 519</u>

### Note 5 - Concentration of funding

Funding received through general purpose contracts from the Legal Services Corporation of Virginia total 24% of the total funding received by LAJC.

### Note 6 - Donor restricted net assets

There are no donor restricted net assets as of the current year.

### Note 7 - Pension plan

Legal Aid Justice Center has a pension plan which qualifies under Section 403(b) of the Internal Revenue Code, in which employees may elect to have amounts withheld from their salaries and invested in tax deferred annuities. Contributions to the plan totaled \$183,862 in 2022. Legal Aid Justice Center shall determine, in its sole discretion, the amount of employer contribution to be made to the plan.

### Note 8 - Concentration of credit risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of cash and unsecured receivables. Cash accounts are maintained at one financial institution in Central Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year the balance exceeds the insured amount, but management believes there is no significant credit risk for receivables because of close monitoring.

### Note 9 - Donated services and property

Legal Aid Justice Center received the following donated services for the year ended June 30, 2022:

Attorney services (\$325 per hour)	\$	2 401 003
Other support (\$50-\$125 per hour)		93 881
Clinic students (\$125 per hour)		1 140 000
Law interns, paralegal - volunteer (\$125 per hour)		<u>217 975</u>
	\$	<u>3 852 859</u>

# Legal Aid Justice Center

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## Notes to Financial Statements June 30, 2022

### Note 10 - Comparative amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

### Note 11 - Other accounts receivables

Other accounts receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Other	\$ 3 261	\$ 7 826
Miscellaneous grant funding	<u>290 871</u>	<u>359 898</u>
	<u>\$ 294 133</u>	<u>\$ 367 724</u>

### Note 12 - Restricted Funding

Legal Aid Justice Center receives purpose restricted funding from Legal Services Corporation of Virginia (LSCV). No state appropriated funds received from the Corporation were used to provide civil legal services to prisoners regarding the conditions of their confinement, to engage in lobbying on juvenile justice issues, nor to provide administrative support for these activities.

### Note 13 - Subsequent events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 23, 2022 the date the financial statements were issued.

### Note 14 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Cash	\$ 2 098 249	\$ 2 504 282
Investments	11 469 144	3 236 993
Accounts receivable	<u>294 133</u>	<u>364 724</u>
	<u>\$ 13 861 526</u>	<u>\$ 6 105 999</u>

### Note 15 - Line of Credit

Legal Aid Justice Center maintains a \$350,000 secured bank line of credit dated September 2, 2021. The line has a two-year term, provisions for annual extensions, and includes a due on demand feature. The line currently matures on August 15, 2023. Interest, at the Bank's Prime Rate less .250% (6.25% at June 30, 2022), is payable monthly. The building is held as security on the line of credit. There was no balance due as of the end of the current or prior year.

## Notes to Financial Statements June 30, 2022

### Note 16 - Note payable

Legal Aid Justice Center had a permanent loan for \$944,464 at a current interest rate of 3.6% for five years for the purchase and renovation of a building. The balance due as of June 30, 2021 was \$0 and as of June 30, 2020 was \$311,797. The bank held a first deed of trust on the building as collateral. Interest expense totaled \$2,497 for the current year. The loan was paid off in 2021.

### Note 17 - Fair value measurements

Legal Aid Justice Center records fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The investments, note payable and line of credit were measured at fair value by level one valuation.

### Note 18 - Future accounting pronouncements

In February 2016, *Financial Accounting Standards Board* (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2021.

### Note 19 - Paycheck Protection Program Loan Payable

On April 2020, Legal Aid Justice Center received loan proceeds in the amount of \$586,900 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Corporation intends to use the proceeds for purposes consistent with the PPP. The loan proceeds met the conditions for forgiveness and was forgiven in whole during 2021.

## **Accompanying Information**

Statement of Support, Revenue, Expenses and Changes in Net Assets  
 For the Year Ended June 30, 2022  
 (with summarized totals for the year ended June 30, 2021)

	Without donor restrictions					Total 2021
	Legal Services Corporation of Virginia	Local Funding	General Funding	Property and Equipment	Total 2022	
<b>Support and revenue</b>						
Grants and contracts	\$ 2,146,457	\$ -	\$ 2,753,573	\$ -	\$ 4,900,030	\$ 4,756,988
Local funding	-	1,056,498	-	-	1,056,498	870,456
Investment income	-	-	(305,530)	-	(305,530)	230,383
Donated services and equipment	-	-	3,852,859	-	3,852,859	5,688,757
Contributions	-	-	1,863,753	-	1,863,753	965,001
Other	-	-	1,328,874	-	1,328,874	882,200
<b>Total support and revenue</b>	<u>2,146,457</u>	<u>1,056,498</u>	<u>9,493,529</u>	<u>-</u>	<u>12,696,484</u>	<u>13,393,785</u>
<b>Expenses</b>						
Attorney salaries	671,547	332,031	1,794,533	-	2,798,111	2,563,768
Fringe benefits	401,408	200,704	1,070,421	-	1,672,533	1,295,062
Non-attorney legal salaries	709,121	354,561	1,890,989	-	2,954,671	1,974,977
Audit	1,968	984	5,248	-	8,200	8,200
Board expenses	-	-	-	-	-	1,293
Communication	31,707	15,854	84,552	-	132,113	112,269
Consultant fees	36,541	16,195	68,438	-	121,174	231,521
Consumables	7,806	3,903	20,814	-	32,523	17,403
Donated services and equipment	-	-	3,852,859	-	3,852,859	5,688,757
Equipment rental and repair	41,134	20,567	109,689	-	171,390	182,349
Fundraising	11,729	5,865	31,278	-	48,872	80,994
Insurance	11,698	5,849	31,194	-	48,741	42,334
Interest expense	-	-	-	-	-	2,497
Library expense	7,161	3,580	19,096	-	29,837	27,634
Litigation	7,225	3,613	19,268	-	30,106	22,979
Occupancy	111,524	49,755	253,344	-	414,623	390,435
Office dues	173	86	26,773	-	27,032	31,271
Other expenses	17,919	8,959	54,021	-	80,899	19,775
Postage	2,209	1,105	5,892	-	9,206	5,485
Recruiting	1,709	855	11,007	-	13,571	3,553
Reproduction	765	382	2,040	-	3,187	2,743
Subgrants	-	-	133,057	-	133,057	161,927
Technologies Upgrades	12,784	6,392	34,090	-	53,266	37,341
Training	32,755	11,370	50,625	-	94,750	19,564
Travel	22,315	11,157	59,508	-	92,980	37,838
Depreciation	-	-	-	116,770	116,770	119,153
<b>Total expenses</b>	<u>2,141,198</u>	<u>1,053,767</u>	<u>9,628,736</u>	<u>116,770</u>	<u>12,940,471</u>	<u>13,081,122</u>
<b>Change in net assets</b>	5,259	2,731	(135,207)	(116,770)	(243,987)	312,663
<b>Net assets at beginning of year</b>	27,528	96	1,064,347	1,274,090	2,366,061	2,053,398
Acquisition of property	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Principle payment on note payable	-	-	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 32,787</u>	<u>\$ 2,827</u>	<u>\$ 929,140</u>	<u>\$ 1,157,320</u>	<u>\$ 2,122,074</u>	<u>\$ 2,366,061</u>