

LEGAL AID JUSTICE CENTER

**Financial Statement
and
Accompanying Information
for the year ended
June 30, 2023**

**(With comparative financial information
as of June 30, 2022)**

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, 2023, 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, 2023, 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 2022 financial statements, and our report dated September 23, 2022, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of Legal Aid Justice Center's 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 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 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 Legal Aid Justice Center's internal control over financial reporting and compliance.

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
February 27, 2024

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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, 2023

(with comparative totals for the year ended June 30, 2022)

Assets	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,401,205	\$ 2,098,249
Investments	10,877,902	11,469,144
Cash in escrow, client deposits	12,806	48,240
Other receivables	396,228	294,133
Prepaid expenses	119,847	120,897
Total current assets	<u>12,807,988</u>	<u>14,030,663</u>
Property and equipment		
Furniture, improvements and property, net	<u>1,471,717</u>	<u>1,508,025</u>
Other assets		
Right of use asset - lease	2,458,225	-
Deposits	14,178	21,477
Total other assets	<u>2,472,403</u>	<u>21,477</u>
Total assets	<u>\$ 16,752,108</u>	<u>\$ 15,560,165</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 216,322	\$ 350,638
Client deposits	12,806	48,240
Unearned revenue	294,151	13,035,086
Deferred rent	220,765	-
Deposits payable	2,979	4,127
Total current liabilities	<u>747,023</u>	<u>13,438,091</u>
Lease liabilities	2,629,402	-
Total liabilities	<u>3,376,425</u>	<u>13,438,091</u>
Commitments		
Net assets		
Without donor restrictions		
General		
Board designated	10,455,410	-
General unrestricted	1,176,639	614,049
Property and equipment	1,471,717	1,508,025
Total without donor restrictions	<u>13,103,766</u>	<u>2,122,074</u>
With donor restrictions	<u>271,917</u>	<u>-</u>
Total net assets	<u>13,375,683</u>	<u>2,122,074</u>
Total liabilities and net assets	<u>\$ 16,752,108</u>	<u>\$ 15,560,165</u>

See notes to financial statements.

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Statement of Activities

For the Year Ended June 30, 2023

(with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Grants and contracts	\$ 5,891,275	\$ -	\$ 5,891,275	\$ 4,900,030
Local funding	706,726	-	706,726	1,056,498
Investment income	294,158	-	294,158	(305,530)
Donated services	3,286,629	-	3,286,629	3,852,859
Contributions	14,559,755	271,917	14,831,672	1,863,753
Other income	647,350	-	647,350	1,328,874
	<u>25,385,893</u>	<u>271,917</u>	<u>25,657,810</u>	<u>12,696,484</u>
Net assets released from restrictions Expiration of time or purpose restrictions	-	-	-	-
Total support and revenue	<u>25,385,893</u>	<u>271,917</u>	<u>25,657,810</u>	<u>12,696,484</u>
Expenses				
Program services				
Legal assistance	11,942,362	-	11,942,362	11,046,955
Supporting services				
Management and general	1,510,508	-	1,510,508	1,017,612
Fund-raising expenses	951,331	-	951,331	875,904
	<u>14,404,201</u>	<u>-</u>	<u>14,404,201</u>	<u>12,940,471</u>
Total expenses	<u>14,404,201</u>	<u>-</u>	<u>14,404,201</u>	<u>12,940,471</u>
Change in net assets	10,981,692	271,917	11,253,609	(243,987)
Net assets at beginning of year	<u>2,122,074</u>	<u>-</u>	<u>2,122,074</u>	<u>2,366,061</u>
Net assets at end of year	<u>\$ 13,103,766</u>	<u>\$ 271,917</u>	<u>\$ 13,375,683</u>	<u>\$ 2,122,074</u>

See notes to financial statements.

Legal Aid Justice Center

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Statement of Functional Expenses

June 30, 2023

(with summarized totals for the year ended June 30, 2022)

	Program Services	Supporting Services	Fundraising Expense	2023 Total Expenses	2022 Total Expenses
Attorney salaries	\$ 2,931,153	\$ 79,509	\$ 47,893	\$ 3,058,555	\$ 2,798,111
Fringe benefits	1,517,880	242,948	180,847	1,941,675	1,672,533
Other professional salaries	2,363,986	926,179	600,151	3,890,316	2,954,671
Audit	7,052	1,148	-	8,200	8,200
Communication	108,012	19,716	13,097	140,825	132,113
Consultant fees	217,153	35,350	-	252,503	121,174
Consumables	19,730	3,601	2,392	25,723	32,523
Donated services and equipment	3,280,229	6,400	-	3,286,629	3,852,859
Equipment rental and repair	177,418	28,882	-	206,300	171,390
Fundraising	-	-	19,306	19,306	48,872
Insurance	41,814	7,632	5,070	54,516	48,741
Library expense	29,713	-	-	29,713	29,837
Litigation	26,919	-	-	26,919	30,106
Occupancy	594,076	77,191	51,277	722,544	414,623
Office dues	26,380	-	-	26,380	27,032
Other expenses	100,985	16,439	-	117,424	80,919
Postage	17,086	2,781	-	19,867	9,206
Recruiting	6,781	-	-	6,781	13,571
Reproduction	13,141	-	31,298	44,439	3,187
Subgrants	77,500	-	-	77,500	133,057
Technologies upgrades	41,611	6,774	-	48,385	53,266
Training	74,676	12,157	-	86,833	94,750
Travel	148,917	24,242	-	173,159	92,980
Depreciation	120,150	19,559	-	139,709	116,770
	<u>\$ 11,942,362</u>	<u>\$ 1,510,508</u>	<u>\$ 951,331</u>	<u>\$ 14,404,201</u>	<u>\$ 12,940,491</u>

See notes to financial statements.

Legal Aid Justice Center

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Statement of Cash Flows

For the Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 11,253,609	\$ (243,987)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	139,709	116,770
(Increase) decrease in receivables	(102,095)	73,592
(Increase) decrease in prepaid expenses	1,050	(71,159)
(Increase) decrease in deposits	7,299	1,000
(Increase) decrease in right of use asset	(2,458,225)	-
Increase (decrease) in accounts payable	(134,316)	202,176
Increase (decrease) in unearned revenue	(12,740,935)	8,098,431
Increase (decrease) in deferred rent	220,765	-
Increase (decrease) in lease liability	2,629,402	-
Increase (decrease) in deposits payable	(1,148)	-
	<u>(1,184,885)</u>	<u>8,176,823</u>
Net cash provided by (used by) operations		
	<u>(1,184,885)</u>	<u>8,176,823</u>
Cash flows used in investing activities		
Additions to property and equipment	(103,401)	(307,336)
Purchase of investments	(4,993,091)	(8,275,520)
Sale of investments	5,584,333	-
	<u>487,841</u>	<u>(8,582,856)</u>
Net cash provided by (used by) investing activities		
	<u>487,841</u>	<u>(8,582,856)</u>
Cash flows used in financing activities		
Net cash provided by (used by) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(697,044)	(406,033)
Cash and cash equivalents, beginning of year	<u>2,098,249</u>	<u>2,504,282</u>
Cash and cash equivalents, end of year	\$ <u><u>1,401,205</u></u>	\$ <u><u>2,098,249</u></u>
Supplemental disclosure of cash flows information		
Cash paid during the year for interest	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

Notes to Financial Statements June 30, 2023

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.

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. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

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, LAJC 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.

Investments

Investments are composed of bond exchange-traded (ETF) funds and mutual funds. Investments in marketable ETF funds and mutual funds are reported at readily determinable fair market values.

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.

Net assets

Under generally accepted accounting principles, LAJC is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. From net assets without donor restrictions, LAJC's governing board has designated net assets for an operating reserve and various- board designated endowments.

Net Assets With Donor Restrictions are 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.

**Notes to Financial Statements
June 30, 2023****Note 1 - Summary of significant accounting policies (continued)*****Promises to give***

Contributions are recognized when the donor makes a promise to give to LAJC 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.

LAJC uses the allowance method to determine uncollectible unconditional contributions receivable. Historically, there have been no significant differences between the amounts reported and the amounts collected. Accordingly, no provision has been made for uncollectible amounts.

Grant contract support

LAJC recognizes grant funds as awarded.

Donated services

LAJC 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.

Income taxes

LAJC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. LAJC 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 LAJC is not a "private foundation" within the meaning of Section 509(a) of the Code. LAJC's information returns on Form 990 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.

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.

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 a funding basis. Any expenses that can be identified to a funding source are directly charged to the appropriate grant.

**Notes to Financial Statements
June 30, 2023**

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, 2023 and 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
Money market	\$ 1 538 657	\$ -	\$ -	\$ 1 538 657
Mutual funds	3 141 678	7 927	175 084	2 974 521
Treasury Bills	<u>6 327 425</u>	<u>62 181</u>	<u>24 883</u>	<u>6 364 723</u>
	<u>\$ 11 007 761</u>	<u>\$ 70 108</u>	<u>\$ 199 967</u>	<u>\$ 10 877 902</u>
2022				
Money market	\$ 1 168 030	\$ -	\$ -	\$ 1 168 030
Mutual fund	4 030 098	-	307 717	3 722 381
Exchange traded funds	<u>7 670 701</u>	<u>9 889</u>	<u>1 101 860</u>	<u>6 578 733</u>
	<u>\$ 12 868 832</u>	<u>\$ 9 889</u>	<u>\$ 1 409 577</u>	<u>\$ 11 469 144</u>

Unrealized losses totaled \$73,329, realized gains totaled \$115,829, interest income of \$8,413 and dividends totaled \$147,095 for 2023.

Note 3 - Property and equipment

A summary of property and equipment follows:

	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	Cost or Value	Accumulated Depreciation	Cost or Value	Accumulated Depreciation
Property and equipment	\$ 322 679	\$ 256 291	\$ 320 146	\$ 235 175
Software	100 000	7 039	31 640	-
Property and equipment donated	9 627	9 627	9 627	9 627
Land	100 000	-	100 000	-
Buildings	2 760 960	1 624 884	2 728 452	1 522 552
Leasehold improvements	150 215	73 922	150 215	64 701
Law library, purchased	24 824	24 824	24 824	24 824
Law library, donated	<u>13 085</u>	<u>13 085</u>	<u>13 085</u>	<u>13 085</u>
	<u>\$ 3 481 390</u>	<u>\$ 2 009 672</u>	<u>\$ 3 377 989</u>	<u>\$ 1 869 964</u>

Depreciation expense for the current year was \$139,709.

**Notes to Financial Statements
June 30, 2023****Note 4 - Concentration of funding**

Funding received through general purpose contracts from the Legal Services Corporation of Virginia total 10% of the total funding received by LAJC.

Note 5 - Donor restricted net assets

Donor restricted net assets totaled \$271,917 as of June 30, 2023. Donor restricted net assets comprise grants that are restricted as to time, with expiration of the restriction on the entire balance anticipated by June 30, 2024.

Note 6 - Pension plan

LAJC 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 \$215,718 in 2023. LAJC shall determine, in its sole discretion, the amount of employer contribution to be made to the plan.

Note 7 - Concentration of credit risk

Financial instruments which potentially subject LAJC to concentration of credit risk consist principally of cash and unsecured receivables. Cash accounts are maintained at one financial institutions 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 8 - Donated services and property

LAJC received the following donated services for the year ended June 30, 2023:

Attorney services (\$325 per hour)	\$	1 687 741
Other support (\$50-\$125 per hour)		41 463
Clinic students (\$125 per hour)		1 235 000
Law interns, paralegal - volunteer (\$125 per hour)		<u>322 425</u>
	\$	<u>3 286 629</u>

Note 9 - 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 LAJC's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Notes to Financial Statements June 30, 2023

Note 10 - Other accounts receivable

Other accounts receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Other	\$ 8 167	\$ 3 261
Miscellaneous grant funding	<u>388 061</u>	<u>290 871</u>
	<u>\$ 396 228</u>	<u>\$ 294 133</u>

Note 11 - Legal Services Corporation of Virginia Funding

LAJC receives purpose restricted funding from Legal Services Corporation of Virginia (LSCV). No state appropriated funds received from LSCV were used to provide civil legal services to prisoners regarding the conditions of their confinement or to undocumented immigrants, to engage in lobbying on juvenile justice issues, or to provide administrative support for these activities.

Note 12 - Subsequent events

In preparing these financial statements, LAJC has evaluated events and transactions for potential recognition or disclosure through February 27, 2024 the date the financial statements were issued.

Note 13 - 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:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1 401 205	\$ 2 098 249
Investments	10 877 902	11 469 144
Accounts receivable	<u>479 978</u>	<u>294 133</u>
	<u>\$ 12 759 085</u>	<u>\$ 13 861 526</u>

Note 14 - Line of credit

LAJC 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.

Note 15 - Fair value measurements

LAJC 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.

**Notes to Financial Statements
June 30, 2023**

Note 16 - Lease commitments

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The update requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standards require entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments. LAJC adopted the standard during 2021, under the modified retrospective approach. For prior periods, LAJC elected a package of practical expedients that together allows an entity to not reassess whether a contract is or contains a lease, lease classification and direct costs. The adoption of Topic 842 resulted in the recording of an operating right of use asset and corresponding liability on the LAJC’s Statement of Financial Position.

Right of use asset	\$	<u>2 458 225</u>
Lease liability	\$	<u>2 629 402</u>

Legal Aid Justice Center has leases for offices located in Falls Church, Petersburg and Richmond, Virginia. Rent expense for all the offices totaled \$371,990 for 2023. The Falls Church office has an eight year lease through May 1, 2030 at a current base rent of \$20,069 per month, with a 2.5% 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 that allows for five, three year extensions. Future lease payments are as follows:

	2024	\$	415 000
	2025		419 749
	2026		442 423
	2027		453 483
	2028		464 844
	thereafter		<u>406 668</u>
Total un-discounted lease payments			3 078 648
Less interest			<u>449 246</u>
Total lease liability	\$		<u><u>2 629 402</u></u>

The remaining lease term and discount rate for operating leases was 6 years and 5%, respectively.

Accompanying Information

Legal Aid Justice Center

Statement of Support, Revenue, Expenses and Changes in Net Assets

For the Year Ended June 30, 2023

(with summarized totals for the year ended June 30, 2022)

	Without donor restrictions				Total 2022
	Legal Services Corporation of Virginia	General Funding	Property and Equipment	Total 2023	
Support and revenue					
Grants and contracts	\$ 2,468,664	\$ 3,422,611	\$ -	\$ 5,891,275	\$ 4,900,030
Local funding	-	706,726	-	706,726	1,056,498
Investment income	-	294,158	-	294,158	(305,530)
Donated services and equipment	-	3,286,629	-	3,286,629	3,852,859
Contributions	-	14,831,672	-	14,831,672	1,863,753
Other	-	647,350	-	647,350	1,328,874
Total support and revenue	<u>2,468,664</u>	<u>23,189,146</u>	<u>-</u>	<u>25,657,810</u>	<u>12,696,484</u>
Expenses					
Attorney salaries	749,223	2,309,332	-	3,058,555	2,798,111
Fringe benefits	483,864	1,457,811	-	1,941,675	1,672,533
Other professional salaries	981,376	2,908,940	-	3,890,316	2,954,671
Audit	2,042	6,158	-	8,200	8,200
Communication	23,962	116,863	-	140,825	132,113
Consultant fees	60,732	191,771	-	252,503	121,174
Consumables	7,056	18,667	-	25,723	32,523
Donated services and equipment	-	3,286,629	-	3,286,629	3,852,859
Equipment rental and repair	-	206,300	-	206,300	171,390
Fundraising	-	19,306	-	19,306	48,872
Insurance	13,619	40,897	-	54,516	48,741
Library expense	7,366	22,347	-	29,713	29,837
Litigation	6,813	20,106	-	26,919	30,106
Occupancy	-	722,544	-	722,544	414,623
Office dues	7,260	19,120	-	26,380	27,032
Other expenses	60,850	56,574	-	117,424	80,919
Postage	-	19,867	-	19,867	9,206
Recruiting	-	6,781	-	6,781	13,571
Reproduction	-	44,439	-	44,439	3,187
Subgrants	-	77,500	-	77,500	133,057
Technologies Upgrades	-	48,385	-	48,385	53,266
Training	21,521	65,312	-	86,833	94,750
Travel	42,980	130,179	-	173,159	92,980
Depreciation	-	-	139,709	139,709	116,770
Total expenses	<u>2,468,664</u>	<u>11,795,828</u>	<u>139,709</u>	<u>14,404,201</u>	<u>12,940,491</u>
Change in net assets	-	11,393,318	(139,709)	11,253,609	(244,007)
Net assets at beginning of year	-	614,029	1,508,025	2,122,054	2,366,061
Acquisition of property	-	(103,401)	103,401	-	-
Net assets at end of year	<u>\$ -</u>	<u>\$ 11,903,946</u>	<u>\$ 1,471,717</u>	<u>\$ 13,375,663</u>	<u>\$ 2,122,054</u>

Legal Aid Justice Center

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Treasury			
Subgrantor: ACT City of Alexandria			
Alexandria Community Access Grant Program		21.027	70,814
Subgrantor: City of Alexandria			
Coronavirus state and local fiscal recovery funds		21.027	50,000
Subgrantor: City of Charlottesville			
Coronavirus state and local fiscal recovery funds		21.027	141,758
Subgrantor: County of Albemarle			
Coronavirus state and local fiscal recovery funds		21.027	127,132
Subgrantor: County of Fairfax			
Coronavirus state and local fiscal recovery funds		21.027	50,000
Subgrantor: Legal Services Corporation of Virginia			
Funding for civil Legal Aid Programs to provide eviction prevention		21.027	249,629
Total U.S. Department of Treasury			<u>689,333</u>
U.S. Department of Justice			
Subgrantor: Virginia Department of Criminal Justice Services			
Crime Victim Assistance	2020-V2-GX-0048	16.575	392,654
Total U.S. Department of Justice			<u>392,654</u>
U.S. Department of Health and Human Services			
Subgrantor: Centro de los Derechos del Migrante, Inc.			
CDC 2019 Novel Coronavirus response grant Vaccine education		93.318	5,000
CDC 2019 Novel Coronavirus response grant Protein workers outreach		93.318	55,000
Subgrantor: City of Arlington			
Community Services Block Grant - low income immigrant workers and families		93.569	25,000
Subgrantor: County of Fairfax			
Community Services Block Grant - portion of Consolidated Community funding pool (6%)		14.218	12,635
Total U.S. Department of Health and Human Services			<u>97,635</u>
U.S. Department of Labor			
Susan Harwood Training Grants	SH-37133-SH1	17.502	47,155
Susan Harwood Training Grants	SH-39127-SH2	17.502	120,906
Total U.S. Department of Labor			<u>168,061</u>
Total Expenditures of Federal Awards			<u>1,347,683</u>

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of LAJC under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAJC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAJC.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

LAJC has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S 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***

Board of Directors
Legal Aid Justice Center
Charlottesville, Virginia

We have audited, in accordance with the 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 Legal Aid Justice Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 February 27, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Justice Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Justice Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Justice Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
February 27, 2024

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

Board of Directors
Legal Aid Justice Center
Charlottesville, Virginia

Report on Compliance for Each Major Federal Program

We have audited Legal Aid Justice Center's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Legal Aid Justice Center's major federal programs for the year ended June 30, 2023. Legal Aid Justice Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Legal Aid Justice Center 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 June 30, 2023.

Report on Internal Control Over Compliance

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

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

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

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

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

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

Richmond, Virginia

February 27, 2024

Legal Aid Justice Center
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

A - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 major programs:

Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified? _____yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>Name of federal program</u>	<u>CDFA Number</u>
U.S. Department of Treasury - ACT Cluster	21.027
U.S. Department of Justice - Crime Victim Assistance	16.575

Dollar threshold used to distinguish between Type A and Type B Programs 750,000

Auditee qualified as low risk? _____yes X no

B. Findings - financial statement audit

None

C. Findings and questioned costs - major federal awards programs audit

None