

**Neighborhood Legal Services Association
(LSC Recipient No. 339060)**

Financial Statements and
Supplementary Information

Years Ended June 30, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2022 AND 2021

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NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors
Neighborhood Legal Services Association**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Neighborhood Legal Services Association (NLSA), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 referred to above present fairly, in all material respects, the financial position of NLSA as of June 30, 2022 and 2021, 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 and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NLSA 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 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 NLSA'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 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, 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 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 NLSA'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 NLSA'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the 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*, 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 supplementary 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 October 12, 2022 on our consideration of NLSA'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 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 NLSA's 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 NLSA's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
October 12, 2022

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 3,030,497	\$ 3,222,223
Client escrow funds	10,678	4,915
Contracts and grants receivable:		
Pennsylvania Legal Aid Network	277,085	178,925
Other	364,957	382,958
Prepaid expenses	36,893	37,496
Property and equipment	315,084	366,115
Total Assets	<u>\$ 4,035,194</u>	<u>\$ 4,192,632</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 84,556	\$ 44,390
Accrued compensated absences	-	123,309
Client trust deposits	10,678	4,915
Refundable advances	1,407,177	1,618,528
Other liabilities	5,079	4,987
Total Liabilities	<u>1,507,490</u>	<u>1,796,129</u>
Net Assets:		
Without donor restrictions	2,527,704	2,396,503
With donor restrictions	-	-
Total Net Assets	<u>2,527,704</u>	<u>2,396,503</u>
Total Liabilities and Net Assets	<u>\$ 4,035,194</u>	<u>\$ 4,192,632</u>

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	All Other	Total	
Revenues and Other Support:					
Grants and contracts	\$ 3,237,626	\$ 2,026,285	\$ 2,045,362	\$ 4,071,647	\$ 7,309,273
Contributions:					
Contributions of nonfinancial assets	368,830	-	-	-	368,830
Contributions of cash and other financial assets	308,345	-	-	-	308,345
Interest income	1,708	53	1,914	1,967	3,675
Other income	29,135	-	-	-	29,135
Net assets released from restrictions	4,073,614	(2,026,338)	(2,047,276)	(4,073,614)	-
Total revenues and other support	8,019,258	-	-	-	8,019,258
Expenses:					
Program services	7,567,407	-	-	-	7,567,407
Management and general	280,392	-	-	-	280,392
Fundraising	40,258	-	-	-	40,258
Total expenses	7,888,057	-	-	-	7,888,057
Change in Net Assets	131,201	-	-	-	131,201
Net Assets:					
Beginning of year	2,396,503	-	-	-	2,396,503
End of year	\$ 2,527,704	\$ -	\$ -	\$ -	\$ 2,527,704

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	All Other	Total	
Revenues and Other Support:					
Grants and contracts	\$ 2,434,166	\$ 1,313,848	\$ 2,758,476	\$ 4,072,324	\$ 6,506,490
Contributions:					
Contributions of nonfinancial assets	400,969	-	-	-	400,969
Contributions of cash and other financial assets	473,738	-	-	-	473,738
Interest income	1,925	44	1,237	1,281	3,206
Other income	806,943	-	-	-	806,943
Net assets released from restrictions	4,073,605	(1,313,892)	(2,759,713)	(4,073,605)	-
Total revenues and other support	8,191,346	-	-	-	8,191,346
Expenses:					
Program services	7,257,790	-	-	-	7,257,790
Management and general	467,842	-	-	-	467,842
Fundraising	59,388	-	-	-	59,388
Total expenses	7,785,020	-	-	-	7,785,020
Change in Net Assets	406,326	-	-	-	406,326
Net Assets:					
Beginning of year	1,990,177	-	-	-	1,990,177
End of year	\$ 2,396,503	\$ -	\$ -	\$ -	\$ 2,396,503

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fund- raising	Total
Personnel Expenses:				
Attorneys	\$ 2,679,914	\$ 109,294	\$ 1,513	\$ 2,790,721
Paralegals	368,975	-	-	368,975
Support staff and administration	885,123	36,623	13,397	935,143
Law students	185,356	-	-	185,356
In-kind services	368,830	-	-	368,830
Employee benefits	1,724,775	61,095	5,966	1,791,836
Total personnel expenses	<u>6,212,973</u>	<u>207,012</u>	<u>20,876</u>	<u>6,440,861</u>
Other Expenses:				
Consultants and contractors	559,733	21,907	7,213	588,853
Travel	38,527	145	-	38,672
Space costs	151,778	5,376	417	157,571
Consumable supplies	189,562	769	1,007	191,338
Equipment rental and maintenance	46,209	1,637	-	47,846
Other expenses	319,818	41,601	10,466	371,885
Depreciation	48,807	1,945	279	51,031
Total other expenses	<u>1,354,434</u>	<u>73,380</u>	<u>19,382</u>	<u>1,447,196</u>
Total expenses	<u>\$ 7,567,407</u>	<u>\$ 280,392</u>	<u>\$ 40,258</u>	<u>\$ 7,888,057</u>

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fund- raising	Total
Personnel Expenses:				
Attorneys	\$ 2,492,649	\$ 198,435	\$ 5,364	\$ 2,696,448
Paralegals	389,114	-	-	389,114
Support staff and administration	729,952	59,505	19,132	808,589
Law students	211,168	-	-	211,168
In-kind services	400,969	-	-	400,969
Accrued vacation	115,770	7,539	-	123,309
Employee benefits	1,261,309	93,424	8,631	1,363,364
Total personnel expenses	<u>5,600,931</u>	<u>358,903</u>	<u>33,127</u>	<u>5,992,961</u>
Other Expenses:				
Consultants and contractors	879,805	21,907	4,530	906,242
Travel	24,178	21	850	25,049
Space costs	136,888	9,236	818	146,942
Consumable supplies	272,794	18,406	9	291,209
Equipment rental and maintenance	45,056	3,040	-	48,096
Other expenses	249,547	53,491	19,542	322,580
Depreciation	48,591	2,838	512	51,941
Total other expenses	<u>1,656,859</u>	<u>108,939</u>	<u>26,261</u>	<u>1,792,059</u>
Total expenses	<u>\$ 7,257,790</u>	<u>\$ 467,842</u>	<u>\$ 59,388</u>	<u>\$ 7,785,020</u>

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 131,201	\$ 406,326
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Forgiveness of loan payable	-	(748,155)
Depreciation	51,031	51,941
(Increase) decrease in:		
Accounts receivable	(80,159)	(148,036)
Prepaid expenses	603	8,412
Increase (decrease) in:		
Accounts payable and accrued expenses	40,166	(84,275)
Accrued compensated absences	(123,309)	-
Client trust deposits	5,763	(4,582)
Refundable advances	(211,351)	895,337
Other liabilities	92	1,488
	<u>(185,963)</u>	<u>378,456</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(185,963)	378,456
Cash and Cash Equivalents:		
Beginning of year	<u>3,227,138</u>	<u>2,848,682</u>
End of year	<u>\$ 3,041,175</u>	<u>\$ 3,227,138</u>
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 3,030,497	\$ 3,222,223
Client escrow funds	<u>10,678</u>	<u>4,915</u>
Total Cash	<u>\$ 3,041,175</u>	<u>\$ 3,227,138</u>

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

1. Organization

Reporting Entity

Neighborhood Legal Services Association (NLSA) is a nonprofit organization that provides civil legal representation for the poor and disadvantaged in Allegheny, Beaver, Butler, and Lawrence Counties. NLSA's central office is located in Pittsburgh, Pennsylvania. NLSA is part of a statewide network of legal service providers servicing all of Pennsylvania's 67 counties. With its reliance on discretionary government funding, the philanthropic community, and the volunteer services of attorneys and others, it represents its targeted clientele in matters such as protection from abuse, follow-up of governmental benefits including Social Security and food stamps, housing assistance, issues related to youth and the aged, and other emerging civil matters.

NLSA is funded on a year-to-year basis through a contract with Pennsylvania Legal Aid Network (PLAN), formerly Pennsylvania Legal Services. Funding for the contract is provided by the Commonwealth of Pennsylvania (Commonwealth) with Commonwealth and Federal Title XX funds, Pennsylvania Interest on Lawyers' Trust Account Program (IOLTA), and Access to Justice Act (AJA) funds. Additional funding is obtained from Legal Services Corporation (LSC), a nonprofit corporation organized by the U.S. Congress to administer a nationwide legal assistance program.

2. Summary of Significant Accounting Policies

Basis of Accounting

NLSA reports on the accrual basis of accounting and, accordingly, has reflected all significant receivables, payables, and other liabilities as prescribed by accounting principles generally accepted in the United States of America (GAAP). The financial statements and notes also incorporate applicable provisions of LSC's *"Accounting Guide for LSC Recipients,"* consistent with accounting principles generally accepted in the United States of America.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Basis of Presentation

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of NLSA and/or the passage of time or maintained permanently by NLSA.

Cash and Cash Equivalents

NLSA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents for the purpose of cash flows. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits or invested in United States Securities under a Repurchase Agreement through a sweep account.

NLSA maintains a separate interest-bearing checking account for funding received from IOLTA through PLAN, as required by policy enacted by the PA IOLTA Board and effective November 1, 2010.

Contracts and Grants Receivable

Contracts and grants receivable, which include PLAN receivables, are for expenses incurred prior to the fiscal year-end for when funds have not yet been received from the funding agency. NLSA provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2022 and 2021, an allowance for doubtful accounts was not warranted.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Contributions and Refundable Advances

Conditional contributions received by NLSA are recorded as refundable advances until the conditions are substantially met. When the conditions are substantially met, the contribution becomes unconditional.

Unconditional contributions are recorded as without donor restrictions or with donor restrictions. This classification is dependent on the existence and/or nature of any donor restrictions. NLSA reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In accordance with general LSC policy, NLSA may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant, as defined. LSC may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by NLSA with the terms of the grant. In addition, if NLSA terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

Property and Equipment

Property and equipment acquired with LSC funds are considered to be owned by NLSA while used in the program or in future authorized programs. However, LSC retains a reversionary interest in these assets, as well as the right to determine the use of any proceeds from the sale of such assets.

NLSA follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. The estimated service lives of furniture, fixtures, and equipment range from five to seven years. Leasehold improvements are being depreciated over the lesser of the useful life of the assets or the remaining lease term.

Impairment

NLSA reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

occurred, based on the expected cash flows, a loss is recognized in the statements of activities.

Accrued Compensated Absences

Vacation days do not typically carry over from fiscal year to fiscal year; however, due to the Covid-19 pandemic, NLSA allowed employees to carry over a pre-determined maximum amount of unused vacation days from one fiscal year to the next for the year ended June 30, 2021. Employees received payment for their unused vacation, up to a maximum, at termination. NLSA established a liability for unused vacation based on the aggregate maximum payable per employees for the year ended June 30, 2021. In fiscal year 2022, NLSA went back to the prior policy of not allowing employees to carry over unused vacation days. As such, no vacation days will be accrued for the year ended June 30, 2022 and going forward.

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among programs and support services.

NLSA allocates expenses among PLAN, LSC, and other funding sources. The expense allocation among funding sources is made based on annualized budgetary revenue relationships, specific identification, and time expended on cases.

Income Taxes

NLSA is a not-for-profit corporation and is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code, as well as from Pennsylvania State corporate taxes. NLSA is not considered a private foundation for federal income tax purposes. NLSA annually files a Form 990.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Adopted Accounting Standard

The provisions of this Standards Update have been adopted and incorporated into these financial statements.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

Pending Standards Updates

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized with the statement of activities included:

	<u>2022</u>	<u>2021</u>
Pro bono attorney legal services	\$ 262,960	\$ 212,705
Pro bono paralegal/student legal services	<u>105,870</u>	<u>188,264</u>
Total	<u>\$ 368,830</u>	<u>\$ 400,969</u>

Donated in-kind contributions are recorded at fair value at the time of receipt. These contributions are recognized as both support and expenses in the statements of activities.

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NOTES TO FINANCIAL STATEMENTS

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Contributed services are recognized as contributions if they create or enhance nonfinancial assets, require skills and are provided by such individuals possessing these skills and would typically need to be purchased, if not provided by donation. Contributed services recognized include pro bono attorney and paralegal legal services to clients. The contributed services for attorneys are valued at \$190 per hour based on starting attorney salaries within the NLSA service region for the years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, approximately 1,384 and 1,120 hours of pro bono legal services were provided by attorneys, respectively. The contributed services for paralegals are valued at \$72.50 per hour based on starting paralegal salaries within the NLSA service region for the years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, approximately 1,460 and 2,597 hours of pro bono legal services were provided by paralegals, respectively.

4. Client Escrow Funds

Cash advances received from clients are maintained in escrow accounts and represent anticipated court costs that are the direct responsibility of the clients.

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 1,352,905	\$ 1,352,905
Furniture and equipment	359,801	883,490
Total	1,712,706	2,236,395
Less: accumulated depreciation	<u>(1,397,621)</u>	<u>(1,870,280)</u>
Total property and equipment, net	<u>\$ 315,085</u>	<u>\$ 366,115</u>

6. Loan Payable

In May 2020, NLSA received a \$748,155 United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. As of June 30, 2021, \$748,155 met the conditions set forth by

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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the SBA, and is recognized as other income on the 2021 statement of activities. NLSA received full forgiveness of the loan in December 2020.

7. Line of Credit

NLSA has a \$350,000 line of credit agreement with a bank. The line is secured by a secondary position on a building and significantly all of NLSA's assets. Interest is payable at the Bank's Prime Rate plus 1%. There was no balance outstanding on the line of credit as of June 30, 2022 and 2021. The line renews annually in March.

8. Commitments and Contingencies

Operating Leases

NLSA presently leases office facilities at various locations in the counties it serves. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, all of these leases are cancelable without penalty in the event NLSA is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2022 and 2021 was \$47,239 and \$40,330, respectively.

Private Attorney Involvement

As a recipient of LSC funding, NLSA is required to devote an amount of LSC funds equal to at least 12.5% of the basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. NLSA utilizes the organized pro bono method to meet the Private Attorney Involvement condition of their grant. For the years ended June 30, 2022 and 2021, NLSA was able to document \$183,626 and \$176,647, respectively, in expenses related to this requirement. NLSA obtained a waiver from LSC for the 12.5% PAI minimum, decreasing the requirement to \$180,038 for the year ended June 30, 2022. NLSA met the minimum requirements for the years ended June 30, 2022 and 2021. See page 17 for Schedule of Private Attorney Involvement Expenditures Related to Legal Services Corporation Support.

To meet LSC compliance of 45 CFR 1614.3(e)(1)(i) when calculating wages and benefits for NLSA's attorneys and paralegals charged to PAI, NLSA calculated their hourly rates using scheduled work hours. Scheduled work hours are based upon an eight (8) hour workday

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

five (5) days per week, or 40 hours, multiplied by the 52 weeks in a year, for a total of 2,080 hours.

Other

Grants received are subject to audit and adjustment by grantor agencies, principally LSC and PLAN. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although NLSA expects such amounts, if any, to be immaterial.

9. Net Assets

At June 30, 2022 and 2021, net assets consist of the following:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Board-designated:		
Operating reserve	\$ 375,000	375,000
Building reserve	247,500	247,500
Property and equipment	366,115	366,115
Undesignated	<u>1,539,089</u>	<u>1,407,888</u>
Total net assets without donor restrictions	<u>\$ 2,527,704</u>	<u>\$ 2,396,503</u>
Total Net Assets	<u>\$ 2,527,704</u>	<u>\$ 2,396,503</u>

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

10. Refundable Advances

At June 30, 2022 and 2021, refundable advances consist of the following:

	<u>2022</u>	<u>2021</u>
LSC General Program	\$ 391,663	\$ 521,660
LSC Advance Funding	150,567	127,952
LSC COVID Supplement	-	47,798
PLAN Hillman	-	17,913
IOLTA	34,045	106,296
IOLTA - Special (WIN)	22,891	-
AJA	204,371	668,340
SHAPE-UW/PHARE	-	58,569
Home4Good	46,230	-
Pittsburgh Foundation	-	70,000
DHS-FSC	37,631	-
DHS-ERAP 2	24,125	-
EHS - ESG	30,000	-
UPMC Medical Legal	383,839	-
URA - TT	6,951	-
URA - Eviction	74,864	-
	<u>\$ 1,407,177</u>	<u>\$ 1,618,528</u>

All refundable advances as of June 30, 2022 and 2021, respectively, are considered conditional contributions with an unmet barrier to incur qualifying expenses.

LSC basic field grant permits up to 10% of current funding to be carried over to the next fiscal year, without approval from LSC. A maximum of 25% of current funding may be carried over to the next fiscal year with approval from LSC. As of June 30, 2022 and 2021, NLSA had an LSC General Program carryover totaling \$248,676 (25.41% fiscal year funding) and \$521,660 (33.04% fiscal year funding), respectively, and LSC COVID Supplement carryover totaling \$47,798 (29.82% of fiscal year funding) as of June 30, 2021. NLSA received a waiver to carry over the funds in excess of the 10% ceiling for the years ended June 30, 2021. NLSA requested a waiver to carry over funds in excess of the 10% ceiling for the year ended June 30, 2022.

IOLTA and Access to Justice Act funding also permit a 10% carryover of current funding to the next fiscal year. The recipient may request a written waiver to carry over up to 25% of

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

these funds. As of June 30, 2022 and 2021, NLSA has IOLTA carryover totaling \$34,045 (12% of fiscal year funding) and \$106,296 (29% of fiscal year funding), respectively. An IOLTA waiver was received for the year ended June 30, 2022 permitting a carryover up to 16%. A IOLTA BOA waiver was received for the year ended June 30, 2021 permitting a carryover up to 29%. As of June 30, 2022, NLSA has AJA carryover totaling \$204,371 (11.99% of fiscal year funding). An AJA waiver was received for the year ended June 30, 2022 permitting a carryover up to 12%. An AJA waiver was received for the year ended June 30, 2021 permitting a carryover up to 43%.

11. Retirement Plans

NLSA established a 403(b) tax-deferred annuity plan available to eligible employees. For regular full-time employees having in excess of one year of seniority as of December 31 of the immediately preceding year, NLSA will match employee contributions to the 403 (b) plan up to 3.5% of employee's base compensation. Employees may make additional contributions to the plan on a voluntary basis. Pension expense totaled \$105,963 and \$80,527 for the years ended June 30, 2022 and 2021.

12. Concentration of Credit Risk

Financial Instruments

Financial instruments, which potentially subject NLSA to concentration of credit risk, consist principally of temporary cash investments. NLSA invests its temporary cash with several financial institutions. The cash balances are secured by the FDIC up to \$250,000 per financial institution. The balances, at times, may exceed federally insured limits.

Sources of Revenue

A significant amount of funding is received for continued operations of NLSA from PLAN and LSC. PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth and the federal government. The LSC grant was approximately 25.87% of total revenue and other support for the year ended June 30, 2022. The PLAN grant (including IOLTA funding) was approximately 48.36% of total revenue and other support for the year ended June 30, 2022. Total revenue and other support used in these calculations do not include in-kind contributions.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

13. Liquidity and Availability

NLSA is substantially supported by Pennsylvania Legal Aid Network (PLAN) and Legal Services Corporation (LSC). NLSA primarily manages its liquid resources by focusing on PLAN & LSC compliance requirements to ensure timely receipt of grant payments to cover program costs. NLSA prepares detailed budgets to monitor costs and actively pursues additional funding sources.

As discussed in Note 5, NLSA maintains a secured line of credit to assist in meeting cash needs if they experience a lag between the receipt of grant funds and the payment of costs. This line of credit has never been used by NLSA as of June 30, 2022.

The following reflects NLSA's financial assets as of June 30, 2022 and 2021 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 3,672,539	\$ 3,784,106
Board-designated	<u>(622,500)</u>	<u>(622,500)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,050,039</u>	<u>\$ 3,161,606</u>

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT EXPENDITURES RELATED TO LEGAL SERVICES CORPORATION SUPPORT

YEAR ENDED JUNE 30, 2022

Private Attorney Involvement Requirement

Recipient #339060	<u>\$ 1,684,366</u>	
Private Attorney Involvement Requirement (waiver obtained)		<u>\$ 180,038</u>

Actual Private Attorney Involvement Expenses

Salaries:		
Attorneys	9,289	
Other staff	<u>108,703</u>	
Total salaries	117,992	
Fringe benefits	49,176	
Other non-personnel costs	<u>16,458</u>	
Total Private Attorney Involvement Expenses		<u>183,626</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u><u>\$ 3,588</u></u>

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Legal Services Corporation										Totals	
	General Program	PAI	Sub-total	LSC TIP	LSC Pro Bono Innovation	LSC COVID-19 Supplement	Total	Pennsylvania Legal Aid Network	IOLTA WIN	Other	2022	2021
	Revenues and Other Support:											
Grants and contracts	\$ 1,758,583	\$ 183,626	\$ 1,942,209	\$ 1,342	\$ 34,935	\$ 47,799	\$ 2,026,285	\$ 3,800,136	\$ 47,199	\$ 1,435,653	\$ 7,309,273	\$ 6,506,490
Contributions of nonfinancial assets	-	-	-	-	-	-	-	-	-	368,830	368,830	400,969
In-kind LegalServer	-	-	-	-	-	-	-	-	-	-	-	-
Contributions of cash and other financial assets	-	-	-	-	-	-	-	-	-	308,345	308,345	473,738
Interest income	53	-	53	-	-	-	53	1,914	-	1,708	3,675	3,206
Event income	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	29,135	29,135	806,943
Total revenues and other support	1,758,636	183,626	1,942,262	1,342	34,935	47,799	2,026,338	3,802,050	47,199	2,143,671	8,019,258	8,191,346
Expenses:												
Salaries:												
Attorneys	628,231	9,289	637,520	-	19,329	9,429	666,278	1,411,035	24,191	689,217	2,790,721	2,696,448
In-kind services - pro bono	-	-	-	-	-	-	-	-	-	368,830	368,830	400,969
Paralegal	12,748	41,393	54,141	-	-	-	54,141	106,202	-	208,632	368,975	389,114
Support staff and administration	222,626	67,310	289,936	-	5,720	2,411	298,067	460,867	7,160	169,049	935,143	808,589
Law students	48,564	-	48,564	-	-	-	48,564	129,029	-	7,763	185,356	211,168
Total salaries	912,169	117,992	1,030,161	-	25,049	11,840	1,067,050	2,107,133	31,351	1,443,491	4,649,025	4,506,288
Employee benefits:												
Payroll taxes	81,212	9,477	90,689	-	2,016	906	93,611	170,640	2,523	86,697	353,471	325,133
Retirement plan	33,436	2,925	36,361	-	-	-	36,361	62,302	-	7,300	105,963	80,527
Hospitalization and dental insurance	330,609	35,313	365,922	-	7,825	-	373,747	648,257	9,796	247,651	1,279,451	1,031,790
Life, accident, and disability insurance	12,518	1,260	13,778	-	-	-	13,778	25,437	350	6,099	45,664	42,273
Workers' compensation	2,015	201	2,216	-	45	-	2,261	4,071	56	900	7,288	6,950
Total employee benefits	459,790	49,176	508,966	-	9,886	906	519,758	910,707	12,725	348,647	1,791,837	1,486,673
Consultants and contractors:												
Consultants	188,072	850	188,922	-	-	-	188,922	333,678	-	44,346	566,946	884,336
Auditing	6,051	605	6,656	-	-	51	6,707	12,212	168	2,820	21,907	21,906
Total consultants and contractors	194,123	1,455	195,578	-	-	51	195,629	345,890	168	47,166	588,853	906,242
Travel:												
Employee travel - local	3,741	377	4,118	-	-	-	4,118	7,595	105	1,849	13,667	12,529
Employee travel - out of town	1,329	117	1,446	-	-	-	1,446	2,550	-	236	4,232	329
Employee travel - Board	-	-	-	-	-	-	-	-	-	20,773	20,773	12,191
Travel - training	6,228	-	6,228	1,342	-	-	7,570	11,849	159	(19,578)	-	-
Total travel	11,298	494	11,792	1,342	-	-	13,134	21,994	264	3,280	38,672	25,049

(Continued)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)
(Continued)

Legal Services Corporation												
	General Program	PAI	Sub-total	LSC			Total	Pennsylvania Legal Aid Network	IOLTA WIN	Other	Totals	
				LSC TIP	LSC Pro Bono Innovation	LSC COVID-19 Supp					2022	2021
Space costs:												
Rent and parking	14,301	1,304	15,605	-	-	-	15,605	28,490	-	3,145	47,240	40,329
Utilities	7,761	762	8,523	-	-	-	8,523	15,631	211	3,250	27,615	32,811
Maintenance and repairs	12,108	1,098	13,206	-	-	-	13,206	23,323	305	2,940	39,774	56,970
Other space costs	13,452	1,185	14,637	-	-	-	14,637	25,852	-	2,453	42,942	16,832
Total space costs	47,622	4,349	51,971	-	-	-	51,971	93,296	516	11,788	157,571	146,942
Consumable supplies:												
Office and computer supplies	4,350	481	4,831	-	-	65	4,896	8,191	133	4,205	17,425	18,350
Minor equipment purchases	637	58	695	-	-	65	760	1,173	-	155	2,088	271,498
IT/Tech Expenses	40,878	-	40,878	-	-	18,553	59,431	83,639	-	25,406	168,476	-
Janitorial supplies	1,049	-	1,049	-	-	-	1,049	2,083	26	191	3,349	1,361
F&E	-	-	-	-	-	-	-	-	-	-	-	-
Total consumable supplies	46,914	539	47,453	-	-	18,683	66,136	95,086	159	29,957	191,338	291,209
Equipment rental and maintenance:												
Repairs and maintenance	-	163	163	-	-	-	163	2,420	-	3,316	5,899	9,165
Equipment rentals	-	-	-	-	-	-	-	17,030	-	24,917	41,947	38,931
Total equipment rental and maintenance	-	163	163	-	-	-	163	19,450	-	28,233	47,846	48,096
Other expenses:												
Insurance and bonding	10,551	1,027	11,578	-	-	-	11,578	21,225	285	4,126	37,214	45,782
Dues and memberships	-	-	-	-	-	-	-	31,096	-	3,250	34,346	29,300
Printing	13,202	2,975	16,177	-	-	-	16,177	26,108	458	17,117	59,860	40,656
Advertising	9,381	864	10,245	-	-	-	10,245	16,749	-	4,325	31,319	21,453
Law library and subscription	13,388	-	13,388	-	-	-	13,388	24,607	-	2,304	40,299	39,213
Telephone	24,044	3,062	27,106	-	-	16,319	43,425	51,221	850	15,464	110,960	104,657
Postage and freight	6,244	613	6,857	-	-	-	6,857	12,644	169	2,528	22,198	23,996
Court costs	9,116	917	10,033	-	-	-	10,033	18,453	254	4,496	33,236	14,361
Miscellaneous	794	-	794	-	-	-	794	1,520	-	138	2,452	3,162
Total other expenses	86,720	9,458	96,178	-	-	16,319	112,497	203,623	2,016	53,748	371,884	322,580
Depreciation	-	-	-	-	-	-	-	-	-	51,031	51,031	51,941
Total expenses	1,758,636	183,626	1,942,262	1,342	34,935	47,799	2,026,338	3,797,179	47,199	2,017,341	7,888,057	7,785,020
Change in Net Assets	-	-	-	-	-	-	-	4,871	-	126,330	131,201	406,326
Net Assets:												
Beginning of year	-	-	-	-	-	-	-	-	-	2,396,503	2,396,503	1,990,177
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,871	\$ -	\$ 2,522,833	\$ 2,527,704	\$ 2,396,503
Acquisition of Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PLAN FUNDING SOURCES

YEAR ENDED JUNE 30, 2022

	Pennsylvania Legal Aid Network									Total
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	Hillman Foundation	PHARE	DAP Innovation	PLAN HAF	
Revenues and Other Support:										
Contracts and grants	\$ 421,490	\$ 2,167,059	\$ 324,197	\$ 101,692	\$ 352,966	\$ 17,913	\$ 108,434	\$ 293,140	\$ 13,245	\$3,800,136
Interest income	-	1,127	-	-	787	-	-	-	-	1,914
Total revenues and other support	421,490	2,168,186	324,197	101,692	353,753	17,913	108,434	293,140	13,245	3,802,050
Expenses:										
Salaries:										
Attorneys	157,691	787,063	128,499	43,184	148,907	11,309	66,710	63,435	4,237	1,411,035
Paralegal	5,312	34,859	1,754	4,529	1,059	-	-	58,689	-	106,202
Support staff and administration	50,064	262,375	37,556	10,529	40,208	2,892	19,743	36,190	1,310	460,867
Law students	11,469	59,159	8,830	2,799	9,755	-	-	37,017	-	129,029
Total salaries	224,536	1,143,456	176,639	61,041	199,929	14,201	86,453	195,331	5,547	2,107,133
Employee benefits:										
Payroll taxes	18,307	95,871	13,752	3,882	14,747	1,171	6,958	15,574	378	170,640
Retirement plan	7,465	39,216	5,578	-	5,942	-	-	4,101	-	62,302
Hospitalization and dental insurance	74,265	389,351	55,677	15,541	59,562	1,548	1,095	49,343	1,875	648,257
Life, accident, and disability insurance	2,810	14,735	2,106	587	2,252	152	964	1,767	64	25,437
Workers' compensation	452	2,371	339	95	362	6	154	282	10	4,071
Total employee benefits	103,299	541,544	77,452	20,105	82,865	2,877	9,171	71,067	2,327	910,707
Consultants and contractors:										
Consultants	41,714	219,619	31,054	8,364	32,927	-	-	-	-	333,678
Auditing	1,358	7,122	1,018	284	1,088	-	463	848	31	12,212
Total consultants and contractors	43,072	226,741	32,072	8,648	34,015	-	463	848	31	345,890
Travel:										
Employee travel - local	840	4,402	629	176	672	58	289	529	-	7,595
Employee travel - out of town	298	1,564	223	62	239	-	-	164	-	2,550
Travel - training	1,387	7,294	1,035	282	1,101	-	439	311	-	11,849
Total travel	2,525	13,260	1,887	520	2,012	58	728	1,004	-	21,994

(Continued)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PLAN FUNDING SOURCES

YEAR ENDED JUNE 30, 2022
(Continued)

	Pennsylvania Legal Aid Network									
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	Hillman Foundation	PHARE	DAP Expansion	PLAN HAF	Total
Space costs:										
Rent and parking	3,207	16,822	2,402	668	2,566	-	997	1,828	-	28,490
Utilities	1,742	9,134	1,305	364	1,395	-	583	1,069	39	15,631
Maintenance and repairs	2,715	14,242	2,033	565	2,173	-	-	1,539	56	23,323
Other space costs	3,015	15,819	2,258	627	2,411	-	-	1,662	60	25,852
Total space costs	<u>10,679</u>	<u>56,017</u>	<u>7,998</u>	<u>2,224</u>	<u>8,545</u>	<u>-</u>	<u>1,580</u>	<u>6,098</u>	<u>155</u>	<u>93,296</u>
Consumable supplies:										
Office and computer supplies	966	5,083	719	194	763	74	368	-	24	8,191
Minor equipment purchases	141	743	105	28	112	-	44	-	-	1,173
IT/Tech Expenses	9,190	48,169	6,893	1,931	7,379	-	3,557	6,520	-	83,639
Janitorial supplies	235	1,234	176	49	188	-	71	130	-	2,083
Total consumable supplies	<u>10,532</u>	<u>55,229</u>	<u>7,893</u>	<u>2,202</u>	<u>8,442</u>	<u>74</u>	<u>4,040</u>	<u>6,650</u>	<u>24</u>	<u>95,086</u>
Equipment rental and maintenance:										
Repairs and maintenance	316	1,280	243	220	-	-	125	228	8	2,420
Equipment rentals	2,367	9,572	1,821	1,647	-	-	-	1,623	-	17,030
Total equipment rental and maintenance	<u>2,683</u>	<u>10,852</u>	<u>2,064</u>	<u>1,867</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>1,851</u>	<u>8</u>	<u>19,450</u>
Other expenses:										
Insurance and bonding	2,367	12,416	1,774	494	1,896	-	786	1,440	52	21,225
Dues and memberships	4,724	19,100	3,634	519	2,394	-	725	-	-	31,096
Printing	2,972	15,571	2,231	627	2,390	-	-	2,317	-	26,108
Advertising	2,081	10,956	1,549	417	1,642	60	-	-	44	16,749
Law library and subscriptions	2,970	15,634	2,211	596	2,345	-	851	-	-	24,607
Telephone	5,424	28,398	4,076	1,676	4,373	482	2,343	4,294	155	51,221
Postage and freight	1,402	7,345	1,050	291	1,123	76	467	859	31	12,644
Court costs	2,046	10,732	1,534	428	1,640	85	702	1,286	-	18,453
Miscellaneous	178	935	133	37	142	-	-	95	-	1,520
Total other expenses	<u>24,164</u>	<u>121,087</u>	<u>18,192</u>	<u>5,085</u>	<u>17,945</u>	<u>703</u>	<u>5,874</u>	<u>10,291</u>	<u>282</u>	<u>203,623</u>
Depreciation	-	-	-	-	-	-	-	-	-	-
Total expenses	<u>421,490</u>	<u>2,168,186</u>	<u>324,197</u>	<u>101,692</u>	<u>353,753</u>	<u>17,913</u>	<u>108,434</u>	<u>293,140</u>	<u>8,374</u>	<u>3,797,179</u>
Change in Net Assets	-	-	-	-	-	-	-	-	4,871	4,871
Net Assets:										
Beginning of year	-	-	-	-	-	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,871</u>	<u>\$ 4,871</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Congress			
Legal Services Corporation Basic Field Grant	09.U01.339060	\$ 1,942,262	\$ -
Legal Services Corporation Pro Bono Innovation Fund	09.U01.339060	34,935	-
Legal Services Corporation TIG	09.U01.339060	1,342	-
COVID-19 - Legal Services Corporation COVID-19 Response Grant	09.U01.339060	47,799	-
Total ALN 09.U01.339060		<u>2,026,338</u>	<u>-</u>
Total U.S. Congress		<u>2,026,338</u>	<u>-</u>
U.S. Department of Health and Human Services			
Passed through Pennsylvania Legal Aid Network:			
Title XX Social Services Block Grant	93.667	421,490	-
Passed through Pennsylvania Department of Community and Economic Development:			
Passed through Butler County:			
Community Services Block Grant	93.569	4,297	-
Passed through Beaver County:			
COVID-19 - Community Services Block Grant	93.569	7,994	-
Community Services Block Grant	93.569	17,964	-
Passed through Allegheny County:			
Community Services Block Grant	93.569	3,868	-
Total ALN 93.569		<u>34,123</u>	<u>-</u>
Passed through the Allegheny County Department of Human Services:			
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	9,140	-
Total U.S. Department of Health and Human Services		<u>464,753</u>	<u>-</u>
U.S. Department of the Treasury			
Passed through Pennsylvania Legal Aid Network:			
COVID-19 - Homeowner Assistance Fund Program	21.026	8,562	-
Total U.S. Department of the Treasury		<u>8,562</u>	<u>-</u>
U.S. Department of Justice			
Passed through PA Commission on Crime and Delinquency:			
Crime Victim Assistance (VOCA 33233)	16.575	510,925	56,779
Passed through PA Commission on Crime and Delinquency:			
Crime Victim Assistance (VOCA 28927)	16.575	58,905	-
Total ALN 16.575		<u>569,830</u>	<u>56,779</u>
Total U.S. Department of Justice		<u>569,830</u>	<u>56,779</u>
Total Expenditures of Federal Awards		<u>\$ 3,069,483</u>	<u>\$ 56,779</u>

See accompanying notes to schedule of expenditures of federal awards.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

1. General

The accompanying Schedule of Expenditures of Federal Awards (schedule) presents activities in all of the federal awards programs of Neighborhood Legal Services Association. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, is included in the schedule.

Neighborhood Legal Services Association has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Basis of Accounting and Relationship to the Basic Financial Statements

The accompanying schedule is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. 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).

Such expenditures are recognized following either the Legal Services Corporation Regulations (45 CFR Part 1630), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Neighborhood Legal Services Association

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2022

**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
Neighborhood Legal Services Association**

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 Neighborhood Legal Services Association (NLSA), 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, and have issued our report thereon dated October 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NLSA’s 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 NLSA’s internal control. Accordingly, we do not express an opinion on the effectiveness of NLSA’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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Board of Directors
Neighborhood Legal Services Association
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NLSA'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 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*.

NLSA's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on NLSA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. NLSA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maher Duessel

Harrisburg, Pennsylvania
October 12, 2022

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Neighborhood Legal Services Association**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program(s)

We have audited Neighborhood Legal Services Association’s (NLSA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the Legal Services Corporation (LSC) Compliance Supplement for Audits of LSC Recipients that could have a direct and material effect on each of NLSA’s major federal programs for the year ended June 30, 2022. NLSA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, NLSA 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, 2022.

Basis for Opinion on Each Major Federal Program(s)

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) and *LSC Compliance Supplement for Audits of LSC Recipients*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NLSA 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 NLSA’s 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 NLSA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain 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 NLSA's 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*, the Uniform Guidance, and *LSC Compliance Supplement for Audits of LSC Recipients* 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 NLSA's 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 NLSA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NLSA's 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 NLSA's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Neighborhood Legal Services Association
Independent Auditor's Report on Compliance
for Each Major Program

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 a 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 Auditor's 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.

Maher Duessel

Harrisburg, Pennsylvania
October 12, 2022

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

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

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

Federal ALN(s)

09.U01.339060

Name of Federal Program or Cluster

Legal Services Corporation

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2022-001 -Financial Reporting

Material Weakness

Condition: During the audit process, initial information and draft reports provided did not reconcile to underlying accounting records. Material adjustments needed to be made to refundable advances, net assets, accounts receivable, and contracts and grants.

Criteria: NLSA should have the ability to produce accurate financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: NLSA does not have adequate controls in place to ensure the accurate recording of transactions.

Effect: Controls and procedures in place were not sufficient to ensure accurate completion of accounting records.

Recommendation: We recommend when recording closing entries related to refundable advances, net assets, accounts receivable and contracts and grants: 1) when posting entries related to refundable advances and contracts and grants for conditional contributions, the general ledger should be reviewed for cash contributions to determine the appropriate year end refundable advance balance and contract and grants revenue should equal incurred expenses, 2) entries are not posted directly to net assets, 3) entries should not be posted resulting in accounts receivable (or any other account) to have a negative ending account balance, and 4) all entries are reviewed to determine reasonableness and accuracy.

Management's Response: Management agrees with this finding; see the separate Corrective Action Plan.

- III. Findings and questioned costs for federal programs.

No matters were reported.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2021-001 – Financial Reporting

Condition: During the audit process, initial information and draft reports provided did not reconcile to underlying accounting records. Material adjustments needed to be made to refundable advances and contracts and grants. In addition, the initial draft SEFA was understated by approximately \$1,250,000.

Recommendation: We recommend that management adjust existing controls to ensure accurate recording of transactions and completion of audit materials.

Status: NLSA implemented financial controls to ensure the proper recording of transactions and implemented safeguards; however, see current year finding 2022-001 related to material adjustments needed to be made to refundable advances and contracts and grants.

Findings and questioned costs for federal awards.

No matters were reported.