

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

Financial Statements and
Supplementary Information

Years Ended June 30, 2023 and 2022
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 'Duessel' part of the name.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2023 AND 2022

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NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, NLSA adopted ASU 2016-02, "*Leases (Topic 842)*", which requires 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. Our opinion is not modified with respect to this matter.

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 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 November 24, 2023 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
November 24, 2023

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,761,217	\$ 3,030,497
Client escrow funds	12,419	10,678
Contracts and grants receivable:		
Pennsylvania Legal Aid Network	150,665	277,085
Other	392,935	364,957
Prepaid expenses	200,675	36,893
Right-of-use assets - operating leases, net of accumulated amortization	62,111	-
Right-of-use assets - financing leases, net of accumulated amortization	73,176	-
Property and equipment	270,417	315,084
Total Assets	\$ 3,923,615	\$ 4,035,194
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 42,643	\$ 84,556
Return of unused grant funds	30,484	-
Accrued compensated absences	-	-
Client trust deposits	12,419	10,678
Operating lease liability	62,111	-
Financing lease liability	74,598	-
Refundable advances	839,387	1,407,177
Other liabilities	5,079	5,079
Total Liabilities	1,066,721	1,507,490
Net Assets:		
Without donor restrictions	2,856,894	2,527,704
Total Net Assets	2,856,894	2,527,704
Total Liabilities and Net Assets	\$ 3,923,615	\$ 4,035,194

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants and contracts	\$ 7,790,872	\$ 65,000	\$ 7,855,872
Contributions:		-	
Contributions of nonfinancial assets	381,073	-	381,073
Contributions of cash and other financial assets	289,512	-	289,512
Interest income	7,212	-	7,212
Other income	63,494	-	63,494
Net assets released from restrictions	65,000	(65,000)	-
Total revenues and other support	8,597,163	-	8,597,163
Expenses:			
Program services	7,725,422	-	7,725,422
Management and general	503,417	-	503,417
Fundraising	39,134	-	39,134
Total expenses	8,267,973	-	8,267,973
Change in Net Assets	329,190	-	329,190
Net Assets:			
Beginning of year	2,527,704	-	2,527,704
End of year	\$ 2,856,894	\$ -	\$ 2,856,894

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
Revenues and Other Support:			
Grants and contracts	\$ 3,237,626	\$ 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	1,967	3,675
Other income	29,135	-	29,135
Net assets released from restrictions	4,073,614	(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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fund- raising	Total
Personnel Expenses:				
Attorneys	\$ 2,853,376	\$ 204,879	\$ 1,917	\$ 3,060,172
Paralegals	384,281	-	-	384,281
Support staff and administration	950,969	69,233	13,890	1,034,092
Law students	147,538	-	-	147,538
In-kind services	381,073	-	-	381,073
Employee benefits	2,110,868	133,439	7,127	2,251,434
Total personnel expenses	<u>6,828,105</u>	<u>407,551</u>	<u>22,934</u>	<u>7,258,590</u>
Other Expenses:				
Consultants and contractors	284,533	22,017	1,352	307,902
Travel	45,960	1,835	200	47,995
Space costs	160,920	10,173	529	171,622
Consumable supplies	77,991	4,930	207	83,128
Equipment rental and maintenance	16,961	1,083	-	18,044
Other expenses	235,594	52,968	13,690	302,252
Depreciation and amortization	75,358	2,860	222	78,440
Total other expenses	<u>897,317</u>	<u>95,866</u>	<u>16,200</u>	<u>1,009,383</u>
Total expenses	<u>\$ 7,725,422</u>	<u>\$ 503,417</u>	<u>\$ 39,134</u>	<u>\$ 8,267,973</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 329,190	\$ 131,201
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	44,667	51,031
Reduction of right-to-use asset - finance lease	33,773	-
Reduction of right-to-use asset - operating lease	41,231	-
(Increase) decrease in:		
Accounts receivable	98,442	(80,159)
Prepaid expenses	(163,782)	603
Increase (decrease) in:		
Accounts payable and accrued expenses	(41,913)	40,166
Return of unused grant funds	30,484	-
Accrued compensated absences	-	(123,309)
Client trust deposits	1,741	5,763
Lease liability - operating	(41,231)	-
Refundable advances	(567,790)	(211,351)
Other liabilities	-	92
Net cash provided by (used in) operating activities	(235,188)	(185,963)
Cash Flows From Financing Activities:		
Payments on finance lease liabilities	(32,351)	-
Net cash provided by (used in) financing activities	(32,351)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(267,539)	(185,963)
Cash and Cash Equivalents:		
Beginning of year	3,041,175	3,227,138
End of year	\$ 2,773,636	\$ 3,041,175
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 2,761,217	\$ 3,030,497
Client escrow funds	12,419	10,678
Total Cash	\$ 2,773,636	\$ 3,041,175
Supplemental Cash Flow Information:		
Interest paid - financing leases	\$ 3,949	\$ -

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022, an allowance for doubtful accounts was not warranted.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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

Leases

NLSA determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position.

ROU assets represent NLSA's right to use an underlying asset for the lease term and lease liabilities represent NLSA's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As NLSA's leases do not provide an implicit rate, a risk free Treasury rate is used, which is based on the information available at the commencement date in determining the present value of lease payments.

NLSA's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. NLSA does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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.

Adopted Accounting Standard

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

ASU 2016-02, *"Leases (Topic 842)."* These amendments and related amendments 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 are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. NLSA elected the practical expedients to account for the existing operating leases and elected not to restate the prior period ending June 30, 2022. NLSA also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, NLSA recognized right-of-use assets of \$135,287 and lease liabilities totaling \$136,709 in its statements of financial position as of June 30, 2023. Right-of-use assets and liabilities totaled \$210,291 as of July 1, 2022. The adoption did not result in a significant effect on the amounts reported in the statements of activities for the year ended June 30, 2023.

Reclassification

Certain amounts presented in the prior year have been reclassified to be consistent with the current year's presentation.

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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

3. Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized with the statement of activities included:

	2023	2022
Pro bono attorney legal services	\$ 322,848	\$ 262,960
Pro bono paralegal/student legal services	58,225	105,870
	<u>\$ 381,073</u>	<u>\$ 368,830</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. 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, 2023 and 2022. For the years ended June 30, 2023 and 2022, approximately 1,699 and 1,384 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, 2023 and 2022. For the years ended June 30, 2023 and 2022, approximately 803 and 1,460 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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Buildings and improvements	\$ 1,352,905	\$ 1,352,905
Furniture and equipment	359,800	359,800
Total	1,712,705	1,712,705
Less: accumulated depreciation	(1,442,288)	(1,397,621)
Total property and equipment, net	\$ 270,417	\$ 315,084

6. 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, 2023 and 2022. The line renews annually in March.

7. Commitments and Contingencies

Leases

NLSA leases office facilities at various locations in the counties it serves. NLSA evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets and lease liabilities, which arise from operating and financing leases, were calculated based on the present value of future lease payments over the lease terms. As NLSA's leases do not provide an implicit rate, a risk free Treasury rate of 4.75% was used, which is based on the information available at the commencement date. As of June 30, 2023, assets recorded under the operating and financing leases were \$62,111 and \$73,176, respectively. Accumulated amortization with the financing leases was \$33,773.

	2023
Operating lease cost	\$ 143,249
Short term lease cost	81,132
Finance lease cost:	
Amortization of right to use assets	33,773
Interest on lease liabilities	3,949
Total finance lease costs	\$ 37,722

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Other information related to leases was as follows:

	<u>2023</u>
Supplemental Cash Flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 44,832
Operating cash flows from financing leases	32,351
Financing cash flows from finance lease	3,949
Weighted average remaining lease term:	
Operating leases	1.58 years
Finance leases	2.17 years
Weighted average discount rate:	
Operating leases	4.75%
Finance leases	4.75%

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

Years Ending June 30,	Operating Leases	Financing Leases
2024	\$ 44,832	\$ 36,300
2025	19,767	36,300
2026	-	6,050
Total future minimum lease payments	64,599	78,650
Less: interest	(2,488)	(4,052)
Total	<u>\$ 62,111</u>	<u>\$ 74,598</u>

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$47,239 for the year ended June 30, 2022.

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

the Private Attorney Involvement condition of their grant. For the years ended June 30, 2023 and 2022, NLSA was able to document \$248,543 and \$183,626, 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 and thus, no such waiver was required for the year ended June 30, 2023. See page 19 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 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.

8. Net Assets

At June 30, 2023 and 2022, net assets consist of the following:

	2023	2022
Net assets without donor restrictions:		
Board-designated:		
Operating reserve	\$ 375,000	\$ 375,000
Building reserve	247,500	247,500
Property and equipment	270,417	366,115
Undesignated	1,963,977	1,539,089
Total net assets without donor restrictions	<u>\$ 2,856,894</u>	<u>\$ 2,527,704</u>
Total Net Assets	<u>\$ 2,856,894</u>	<u>\$ 2,527,704</u>

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

9. Refundable Advances

At June 30, 2023 and 2022, refundable advances consist of the following:

	2023	2022
LSC General Program	\$ 178,027	\$ 391,663
LSC FY24 Advance Funding	173,199	150,567
MLK	3,000	-
IOLTA	14,209	34,045
IOLTA - Special (WIN)	-	22,891
IOLTA - HEALS	27,060	-
AJA	192,065	204,371
Home4Good	-	46,230
DHS-FSC	-	37,631
DHS-ERAP 2	-	24,125
DHS - ESG	-	30,000
UPMC Medical Legal	251,827	383,839
URA - TT	-	6,951
URA - Eviction	-	74,864
	<u>\$ 839,387</u>	<u>\$ 1,407,177</u>

All refundable advances as of June 30, 2023 and 2022, 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, NLSA had an LSC General Program carryover totaling \$391,663 (21.53% of fiscal year funding). NLSA received a waiver to carry over the funds in excess of the 10% ceiling for the year ended 2022. As of June 30, 2023, NLSA had an LSC General Program carryover totaling \$178,027 (9.30% fiscal year funding). No such waiver is required for the year ended June 30, 2023.

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 these funds. As of June 30, 2023 and 2022, NLSA has IOLTA carryover totaling \$14,209 (9.91% of fiscal year funding) and \$34,045 (12% of fiscal year funding), respectively. No waiver was required for the year ended June 30, 2023. An IOLTA waiver was received for the year ended June 30, 2022 permitting a carryover up to 16%. An IOLTA HEALS waiver was received for the year ended June 30, 2023 permitting a carryover up to \$27,060. NLSA will

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

be required to pay back the excess funding to IOLTA for IOLTA HEALS funding in the amount of \$30,484, which is included in return of unused grant funds as of June 30, 2023. As of June 30, 2023, NLSA has AJA carryover totaling \$192,065 (10% of fiscal year funding). No waiver was required for the year ended June 30, 2023. 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%.

10. 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, 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 \$183,470 and \$105,963 for the years ended June 30, 2023 and 2022.

11. 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 28% of total revenue and other support for the year ended June 30, 2023. The PLAN grant (including IOLTA funding) was approximately 44% of total revenue and other support for the year ended June 30, 2023. 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, 2023 AND 2022

12. 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 6, 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, 2023.

The following reflects NLSA's financial assets as of June 30, 2023 and 2022 expected to be available within one year to meet the cash needs for general expenditures.

	2023	2022
Financial assets, at year-end	\$ 3,304,817	\$ 3,672,539
Board-designated	(622,500)	(622,500)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,682,317</u>	<u>\$ 3,050,039</u>

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

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

YEAR ENDED JUNE 30, 2023

Private Attorney Involvement Requirement

Recipient #339060	<u>\$ 1,912,536</u>	
Private Attorney Involvement Requirement		<u>\$ 239,067</u>

Actual Private Attorney Involvement Expenses

Salaries:		
Attorneys	27,456	
Other staff	<u>129,053</u>	
Total salaries	156,509	
Fringe benefits	76,096	
Other non-personnel costs	<u>15,938</u>	
Total Private Attorney Involvement Expenses		<u>248,543</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u><u>\$ 9,476</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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Legal Services Corporation							Pennsylvania Legal Aid Network	IOLTA WIN	IOLTA HEALS	Other	Totals	
	General Program	PAI	Sub-total	LSC TIP	LSC Pro Bono Innovation	Prior Year Carryover	Total					2023	2022
Revenues and Other Support:													
Grants and contracts	\$ 1,335,232	\$ 248,543	\$ 1,583,775	\$ 33,658	\$ 140,872	\$ 542,230	\$ 2,300,535	\$ 3,588,185	\$ 22,891	\$ 42,756	\$ 1,901,505	\$ 7,855,872	\$ 7,317,647
Contributions of nonfinancial assets	-	-	-	-	-	-	-	-	-	-	381,073	381,073	368,830
In-kind LegalServer	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions of cash and other financial assets	-	-	-	-	-	-	-	-	-	-	289,512	289,512	308,345
Interest income	167	-	167	-	-	-	167	3,382	-	-	3,663	7,212	3,675
Event income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	63,494	63,494	29,135
Total revenues and other support	<u>1,335,399</u>	<u>248,543</u>	<u>1,583,942</u>	<u>33,658</u>	<u>140,872</u>	<u>542,230</u>	<u>2,300,702</u>	<u>3,591,567</u>	<u>22,891</u>	<u>42,756</u>	<u>2,639,247</u>	<u>8,597,163</u>	<u>8,027,632</u>
Expenses:													
Salaries:													
Attorneys	538,365	27,456	565,821	-	77,971	218,600	862,392	1,365,653	12,408	11,878	807,841	3,060,172	2,794,958
In-kind services - pro bono	-	-	-	-	-	-	-	-	-	-	381,073	381,073	368,830
Paralegal	8,396	43,949	52,345	-	-	3,409	55,754	141,166	-	-	187,361	384,281	368,975
Support staff and administration	180,700	85,104	265,804	-	-	73,372	339,176	462,585	3,926	19,236	209,169	1,034,092	936,453
Law students	32,389	-	32,389	-	-	13,151	45,540	93,517	-	-	8,481	147,538	185,356
Total salaries	<u>759,850</u>	<u>156,509</u>	<u>916,359</u>	<u>-</u>	<u>77,971</u>	<u>308,532</u>	<u>1,302,862</u>	<u>2,062,921</u>	<u>16,334</u>	<u>31,114</u>	<u>1,593,925</u>	<u>5,007,156</u>	<u>4,654,572</u>
Employee benefits:													
Payroll taxes	66,917	12,710	79,627	-	6,458	27,172	113,257	171,414	1,279	2,455	87,701	376,106	353,849
Retirement plan	44,032	6,201	50,233	-	-	17,879	68,112	98,859	-	-	16,498	183,469	105,963
Hospitalization and dental insurance	293,844	55,360	349,204	-	37,076	119,313	505,593	742,152	3,528	5,647	380,957	1,637,877	1,281,326
Life, accident, and disability insurance	9,469	1,520	10,989	-	-	3,844	14,833	22,745	163	155	7,064	44,960	45,728
Workers' compensation	1,933	305	2,238	-	204	785	3,227	4,636	27	31	1,101	9,022	7,298
Total employee benefits	<u>416,195</u>	<u>76,096</u>	<u>492,291</u>	<u>-</u>	<u>43,738</u>	<u>168,993</u>	<u>705,022</u>	<u>1,039,806</u>	<u>4,997</u>	<u>8,288</u>	<u>493,321</u>	<u>2,251,434</u>	<u>1,794,164</u>
Consultants and contractors:													
Consultants	40,525	-	40,525	-	16,500	16,455	73,480	92,534	-	-	119,871	285,885	566,946
Auditing	4,673	744	5,417	-	-	1,898	7,315	11,644	82	76	2,900	22,017	21,938
Total consultants and contractors	<u>45,198</u>	<u>744</u>	<u>45,942</u>	<u>-</u>	<u>16,500</u>	<u>18,353</u>	<u>80,795</u>	<u>104,178</u>	<u>82</u>	<u>76</u>	<u>122,771</u>	<u>307,902</u>	<u>588,884</u>
Travel:													
Employee travel - local	1,231	288	1,519	-	315	500	2,334	3,117	32	1,299	1,737	8,519	13,667
Employee travel - out of town	7,221	1,043	8,264	-	323	2,932	11,519	16,697	-	-	2,649	30,865	4,232
Employee travel - Board	-	-	-	-	-	-	-	-	-	-	-	-	20,773
Travel - training	1,540	6	1,546	-	2,025	626	4,197	3,347	24	56	987	8,611	-
Total travel	<u>9,992</u>	<u>1,337</u>	<u>11,329</u>	<u>-</u>	<u>2,663</u>	<u>4,058</u>	<u>18,050</u>	<u>23,161</u>	<u>56</u>	<u>1,355</u>	<u>5,373</u>	<u>47,995</u>	<u>38,672</u>

(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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)
(Continued)

	Legal Services Corporation											Totals	
	General Program	PAI	Sub-total	LSC TIP	LSC Pro Bono Innovation	Prior Year Carryover	Total	Pennsylvania Legal Aid Network	IOLTA WIN	IOLTA HEALS	Other	2023	2022
Space costs:													
Rent and parking	14,377	2,013	16,390	-	-	5,838	22,228	33,181	-	-	4,152	59,561	47,240
Utilities	6,734	1,071	7,805	-	-	2,734	10,539	16,162	101	109	4,781	31,692	27,654
Maintenance and repairs	12,772	1,979	14,751	-	-	5,186	19,937	31,191	411	202	6,811	58,552	39,830
Other space costs	5,050	737	5,787	-	-	2,050	7,837	13,158	-	-	822	21,817	43,002
Total space costs	38,933	5,800	44,733	-	-	15,808	60,541	93,692	512	311	16,566	171,622	157,726
Consumable supplies:													
Office and computer supplies	5,103	830	5,933	-	-	2,072	8,005	11,949	106	85	4,416	24,561	17,449
Minor equipment purchases	-	-	-	-	-	-	-	-	-	-	-	-	2,088
IT/Tech Expenses	3,893	-	3,893	33,658	-	1,580	39,131	10,246	-	729	4,674	54,780	168,476
Janitorial supplies	942	-	942	-	-	382	1,324	2,169	9	13	272	3,787	3,349
Total consumable supplies	9,938	830	10,768	33,658	-	4,034	48,460	24,364	115	827	9,362	83,128	191,362
Equipment rental and maintenance:													
Repairs and maintenance	-	191	191	-	-	-	191	2,328	-	-	3,131	5,650	5,907
Equipment rentals	-	-	-	-	-	-	-	18,584	-	-	27,583	46,167	41,947
Total equipment rental and maintenance	-	191	191	-	-	-	191	20,912	-	-	30,714	51,817	47,854
Other expenses:													
Insurance and bonding	9,869	1,569	11,438	-	-	4,008	15,446	24,587	320	160	5,907	46,420	37,266
Dues and memberships	-	-	-	-	-	-	-	28,870	-	-	2,787	31,657	34,346
Printing	1,483	-	1,483	-	-	603	2,086	3,868	-	68	13,693	19,715	59,860
Advertising	3,443	592	4,035	-	-	1,398	5,433	7,755	-	60	4,262	17,510	31,363
Law library and subscription	10,347	-	10,347	-	-	4,201	14,548	23,267	-	-	2,866	40,681	40,299
Telephone	20,506	3,376	23,882	-	-	8,327	32,209	51,594	374	344	15,351	99,872	111,115
Postage and freight	2,835	475	3,310	-	-	1,151	4,461	6,835	27	48	2,646	14,017	22,229
Court costs	6,598	1,024	7,622	-	-	2,680	10,302	15,913	74	105	3,912	30,306	33,236
Miscellaneous	212	-	212	-	-	84	296	519	-	-	1,260	2,075	2,452
Total other expenses	55,293	7,036	62,329	-	-	22,452	84,781	163,208	795	785	52,684	302,253	372,166
Depreciation	-	-	-	-	-	-	-	-	-	-	44,666	44,666	51,031
Total expenses	1,335,399	248,543	1,583,942	33,658	140,872	542,230	2,300,702	3,532,242	22,891	42,756	2,369,382	8,267,973	7,896,431
Change in Net Assets	-	-	-	-	-	-	-	59,325	-	-	269,865	329,190	131,201
Net Assets:													
Beginning of year	-	-	-	-	-	-	-	4,871	-	-	2,522,833	2,527,704	2,396,503
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,196	\$ -	\$ -	\$ 2,792,698	\$ 2,856,894	\$ 2,527,704
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, 2023

	Pennsylvania Legal Aid Network									Total
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	MLK Student	PHARE	DAP Innovation	PLAN HAF	
Revenues and Other Support:										
Contracts and grants	\$ 419,024	\$ 2,043,479	\$ 322,561	\$ 101,135	\$ 161,928	\$ 4,500	\$ 125,000	\$ 243,263	\$ 167,295	\$3,588,185
Interest income	-	2,161	-	-	1,221	-	-	-	-	3,382
Total revenues and other support	419,024	2,045,640	322,561	101,135	163,149	4,500	125,000	243,263	167,295	3,591,567
Expenses:										
Salaries:										
Attorneys	191,624	762,916	151,037	51,654	64,696	-	66,550	23,095	54,081	1,365,653
Paralegal	1,793	53,773	1,399	310	2,135	-	-	81,756	-	141,166
Support staff and administration	50,178	274,172	37,816	11,010	21,757	-	19,980	31,436	16,236	462,585
Law students	9,557	48,969	7,294	2,226	3,914	-	-	21,557	-	93,517
Total salaries	253,152	1,139,830	197,546	65,200	92,502	-	86,530	157,844	70,317	2,062,921
Employee benefits:										
Payroll taxes	18,621	101,521	14,040	4,095	8,058	-	6,620	12,738	5,721	171,414
Retirement plan	12,061	66,860	9,063	-	5,298	-	-	5,577	-	98,859
Hospitalization and dental insurance	81,558	445,854	61,460	19,346	35,379	-	24,233	48,609	25,713	742,152
Life, accident, and disability insurance	2,619	14,369	1,972	572	1,140	-	-	1,367	706	22,745
Workers' compensation	535	2,933	402	117	233	-	-	274	142	4,636
Total employee benefits	115,394	631,537	86,937	24,130	50,108	-	30,853	68,565	32,282	1,039,806
Consultants and contractors:										
Consultants	10,995	61,567	8,245	2,354	4,873	4,500	-	-	-	92,534
Auditing	1,293	7,093	973	282	563	-	425	669	346	11,644
Total consultants and contractors	12,288	68,660	9,218	2,636	5,436	4,500	425	669	346	104,178
Travel:										
Employee travel - local	343	1,867	259	76	148	-	165	259	-	3,117
Employee travel - out of town	1,994	10,960	1,501	435	869	-	-	938	-	16,697
Travel - training	418	2,340	314	90	185	-	-	-	-	3,347
Total travel	2,755	15,167	2,074	601	1,202	-	165	1,197	-	23,161

(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, 2023

(Continued)

	Pennsylvania Legal Aid Network									
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	MLK Student	PHARE	DAP Expansion	PLAN HAF	Total
Space costs:										
Rent and parking	3,968	21,821	2,986	865	1,730	-	-	1,811	-	33,181
Utilities	1,862	10,219	1,402	407	811	-	-	963	498	16,162
Maintenance and repairs	3,531	19,383	2,658	771	1,537	-	612	1,780	919	31,191
Other space costs	1,395	7,664	1,050	304	608	-	1,131	663	343	13,158
Total space costs	10,756	59,087	8,096	2,347	4,686	-	1,743	5,217	1,760	93,692
Consumable supplies:										
Office and computer supplies	1,386	7,752	1,039	297	614	-	475	-	386	11,949
IT/Tech Expenses	1,116	5,895	847	253	470	-	-	1,665	-	10,246
Janitorial supplies	260	1,429	195	57	113	-	-	115	-	2,169
Total consumable supplies	2,762	15,076	2,081	607	1,197	-	475	1,780	386	24,364
Equipment rental and maintenance:										
Repairs and maintenance	287	1,392	221	167	-	-	-	172	89	2,328
Equipment rentals	2,391	11,604	1,841	1,388	-	-	-	1,360	-	18,584
Total equipment rental and maintenance	2,678	12,996	2,062	1,555	-	-	-	1,532	89	20,912
Other expenses:										
Insurance and bonding	2,730	14,979	2,056	597	1,188	-	897	1,411	729	24,587
Dues and memberships	3,988	19,361	3,071	477	1,363	-	610	-	-	28,870
Printing	424	2,248	322	96	179	-	-	599	-	3,868
Advertising	935	5,230	701	200	414	-	-	-	275	7,755
Law library and subscriptions	2,809	15,719	2,107	602	1,244	-	786	-	-	23,267
Telephone	5,685	31,118	4,281	1,507	2,469	-	1,930	3,036	1,568	51,594
Postage and freight	785	4,302	591	172	341	-	-	426	218	6,835
Court costs	1,825	10,015	1,374	398	794	-	586	921	-	15,913
Miscellaneous	58	315	44	10	26	-	-	66	-	519
Total other expenses	19,239	103,287	14,547	4,059	8,018	-	4,809	6,459	2,790	163,208
Total expenses	419,024	2,045,640	322,561	101,135	163,149	4,500	125,000	243,263	107,970	3,532,242
Change in Net Assets	-	-	-	-	-	-	-	-	59,325	59,325
Net Assets:										
Beginning of year	-	-	-	-	-	-	-	-	4,871	4,871
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,196	\$ 64,196
Acquisition of Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Pass-Through Grantor Number	Federal Assistance Listing Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Congress				
Legal Services Corporation Basic Field Grant	N/A	09.U01.339060	\$ 2,126,172	\$ -
Legal Services Corporation Pro Bono Innovation Fund	N/A	09.U01.339060	140,872	-
Legal Services Corporation TIG	N/A	09.U01.339060	33,658	-
Total U.S. Congress			2,300,702	-
U.S. Department of Health and Human Services				
Passed through Pennsylvania Legal Aid Network:				
Social Services Block Grant	N/A	93.667	419,024	-
Passed through Pennsylvania Department of Community and Economic Development:				
Passed through Beaver County:				
Community Services Block Grant	N/A	93.569	25,233	-
Passed through Allegheny County:				
Community Services Block Grant	N/A	93.569	16,962	-
Total Community Services Block Grant			42,195	-
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	N/A	93.041	8,274	-
Total U.S. Department of Health and Human Services			469,493	-
U.S. Department of the Treasury				
Passed through Pennsylvania Legal Aid Network:				
Pennsylvania Housing Finance Agency: COVID-19 Homeowner Assistance Fund	N/A	21.026	107,970	-
Total U.S. Department of the Treasury			107,970	-
U.S. Department of Justice				
Passed through PA Commission on Crime and Delinquency:				
Crime Victim Assistance	33233	16.575	412,298	58,405
Total U.S. Department of Justice			412,298	58,405
Total Expenditures of Federal Awards			\$ 3,290,463	\$ 58,405

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, 2023

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 elected to use the 10-percent de minimis indirect cost rate, as allowed under the Uniform Guidance, on any federal awards that require the use of an indirect cost rate.

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, 2023

**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, 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 November 24, 2023.

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 2023-001, 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
November 24, 2023

**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

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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

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 and *LSC Compliance Supplement for Audits of LSC Recipients*, 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
November 24, 2023

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

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, 2023

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

Finding 2023-001 -Financial Reporting

Material Weakness

Condition: NLSA did not have sufficient controls in place to ensure that the initial information and draft reports provided reconciled to the underlying accounting records. During the audit process, material adjustments involving refundable advances, net assets, and contracts and grants were proposed by the auditors in order that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These adjustments were necessary to properly reflect current year operations and account balances as of the year-end. In addition, the initial draft SEFA Legal Services Corporation Basic Field Grant expenditures were understated by approximately \$263,765.

Criteria: Auditing standards continue to place emphasis on determining an entity's ability to fully prepare their own external financial statements, including the posting of all adjustments necessary to present financial statements in accordance with GAAP. Reliance on auditors to ensure comprehensive financial reporting is considered to be an internal control deficiency.

Cause: NLSA's internal control structure did not facilitate the reporting of GAAP basis financial statements.

Effect: Adjustments were required to be recorded in order for the financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend: 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, and 3) 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, 2023

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

Finding 2022-001 – 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, net assets, accounts receivable, and contracts and grants.

Status: Corrective action not yet implemented.

Findings and questioned costs for federal awards.

No matters were reported.