

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

Financial Statements and
Supplementary Information

Years Ended June 30, 2024 and 2023
with Independent Auditor's Reports

MaherDuessel

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NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2024 AND 2023

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NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 audits were 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 3, 2024 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.

Maheer Duessel

Harrisburg, Pennsylvania
October 3, 2024

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 2,254,163	\$ 2,761,217
Client escrow funds	20,526	12,419
Contracts and grants receivable:		
Pennsylvania Legal Aid Network	485,729	150,665
Other	618,148	392,935
Prepaid expenses	53,849	200,675
Right-of-use assets - operating leases, net of accumulated amortization	145,296	62,111
Right-of-use assets - financing leases, net of accumulated amortization	39,402	73,176
Property and equipment	225,751	270,417
Total Assets	<u>\$ 3,842,864</u>	<u>\$ 3,923,615</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 61,816	\$ 42,643
Return of unused grant funds	-	30,484
Client trust deposits	20,526	12,419
Operating lease liability	145,295	62,111
Financing lease liability	41,119	74,598
Refundable advances	457,570	839,387
Other liabilities	1,631	5,079
Total Liabilities	<u>727,957</u>	<u>1,066,721</u>
Net Assets:		
Without donor restrictions	3,039,907	2,856,894
With donor restrictions	75,000	-
Total Net Assets	<u>3,114,907</u>	<u>2,856,894</u>
Total Liabilities and Net Assets	<u>\$ 3,842,864</u>	<u>\$ 3,923,615</u>

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants and contracts	\$ 7,976,800	\$ 75,000	\$ 8,051,800
Contributions:			
Contributions of nonfinancial assets	540,847	-	540,847
Contributions of cash and other financial assets	195,814	-	195,814
Interest income	9,771	-	9,771
Other income	38,156	-	38,156
Net assets released from restrictions	-	-	-
Total revenues and other support	8,761,388	75,000	8,836,388
Expenses:			
Program services	8,134,888	-	8,134,888
Management and general	413,364	-	413,364
Fundraising	30,123	-	30,123
Total expenses	8,578,375	-	8,578,375
Change in Net Assets	183,013	75,000	258,013
Net Assets:			
Beginning of year	2,856,894	-	2,856,894
End of year	\$ 3,039,907	\$ 75,000	\$ 3,114,907

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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Fund- raising	Total
Personnel Expenses:				
Attorneys	\$ 2,805,686	\$ 166,836	\$ 6,155	\$ 2,978,677
Paralegals	798,246	-	-	798,246
Support staff and administration	691,660	41,575	9,047	742,282
Law students	171,316	-	-	171,316
In-kind services	540,847	-	-	540,847
Employee benefits	2,178,464	101,634	7,129	2,287,227
Total personnel expenses	<u>7,186,219</u>	<u>310,045</u>	<u>22,331</u>	<u>7,518,595</u>
Other Expenses:				
Consultants and contractors	160,341	25,627	2,374	188,342
Travel	52,886	1,788	-	54,674
Space costs	206,957	9,656	583	217,196
Consumable supplies	158,832	7,410	428	166,670
Equipment rental and maintenance	15,345	980	-	16,325
Other expenses	279,017	53,454	4,240	336,711
Depreciation and amortization	75,291	4,404	167	79,862
Total other expenses	<u>948,669</u>	<u>103,319</u>	<u>7,792</u>	<u>1,059,780</u>
Total expenses	<u>\$ 8,134,888</u>	<u>\$ 413,364</u>	<u>\$ 30,123</u>	<u>\$ 8,578,375</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 258,013	\$ 329,190
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	44,666	44,667
Reduction of right-of-use asset - finance lease	33,774	33,773
Reduction of right-of-use asset - operating lease	45,305	41,231
(Increase) decrease in:		
Accounts receivable	(560,277)	98,442
Prepaid expenses	146,826	(163,782)
Increase (decrease) in:		
Accounts payable and accrued expenses	19,173	(41,913)
Return of unused grant funds	(30,484)	30,484
Client trust deposits	8,107	1,741
Lease liability - operating	(45,306)	(41,231)
Refundable advances	(381,817)	(567,790)
Other liabilities	(3,448)	-
Net cash provided by (used in) operating activities	(465,468)	(235,188)
Cash Flows From Financing Activities:		
Payments on finance lease liabilities	(33,479)	(32,351)
Net cash provided by (used in) financing activities	(33,479)	(32,351)
Net Increase (Decrease) in Cash and Cash Equivalents	(498,947)	(267,539)
Cash and Cash Equivalents:		
Beginning of year	2,773,636	3,041,175
End of year	\$ 2,274,689	\$ 2,773,636
Reconciliation to Statements of Financial Position:		
Cash and cash equivalents	\$ 2,254,163	\$ 2,761,217
Client escrow funds	20,526	12,419
Total Cash	\$ 2,274,689	\$ 2,773,636
Supplemental Cash Flow Information:		
Interest paid - financing leases	\$ 2,821	\$ 3,949
Schedule of Noncash Investing Activities		
Addition of right-to-use assets for operating leases	\$ 128,490	\$ -

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024 AND 2023

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 credit losses based on reasonable and supportable forecasts, about total future credit losses, factoring in both historic and current data as well as forecasts of the future. When all collection efforts have been exhausted, the accounts are written off against the related allowance. An allowance for credit losses has not been established, because management believes all receivables at year end are fully collectible. However, it is possible that management's estimate could change in the future.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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. As of June 30, 2024, NLSA has property and equipment totaling \$177,427 that was acquired with LSC funds and that has been fully depreciated.

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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 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. 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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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.

Adopted Accounting Standard

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

ASU 2016-13, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”* These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements.

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, 2024 AND 2023

3. Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized with the statement of activities included:

	<u>2024</u>	<u>2023</u>
Pro bono attorney legal services	\$ 331,474	\$ 322,848
Pro bono paralegal/student legal services	<u>209,373</u>	<u>58,225</u>
	<u>\$ 540,847</u>	<u>\$ 381,073</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, 2024 and 2023. For the years ended June 30, 2024 and 2023, approximately 1,745 and 1,699 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, 2024 and 2023. For the years ended June 30, 2024 and 2023, approximately 2,888 and 803 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, 2024 AND 2023

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 1,352,905	\$ 1,352,905
Furniture and equipment	<u>359,800</u>	<u>359,800</u>
Total	1,712,705	1,712,705
Less: accumulated depreciation	<u>(1,486,954)</u>	<u>(1,442,288)</u>
Total property and equipment, net	<u>\$ 225,751</u>	<u>\$ 270,417</u>

Depreciation expenses totaled \$44,666 and \$44,667 for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023. 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, 2024, assets and accumulated amortization recorded under the operating leases were \$231,832 and \$86,537, respectively. Assets and accumulated amortization recorded under the financing leases were \$106,949 and \$73,175, respectively. As of June 30, 2023, assets and accumulated amortization recorded under the operating leases were \$103,342 and \$41,231, respectively.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Assets and accumulated amortization recorded under the financing leases were \$106,949 and \$33,773, respectively.

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 47,332	\$ 143,249
Short term lease cost	49,830	81,132
Finance lease cost:		
Amortization of right-of-use asset	\$ 33,774	\$ 33,773
Interest on lease liabilities	<u>2,821</u>	<u>3,949</u>
Total finance lease costs	<u>\$ 36,595</u>	<u>\$ 37,722</u>

Other information related to leases was as follows:

	<u>2024</u>	<u>2023</u>
Supplemental Cash Flows information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 47,332	\$ 44,832
Operating cash flows from financing leases	33,479	32,351
Financing cash flows from finance lease	2,821	3,949
Weighted average remaining lease term:		
Operating leases	4.39 years	1.58 years
Finance leases	1.17 years	2.17 years
Weighted average discount rate:		
Operating leases	8.08%	4.75%
Finance leases	4.75%	4.75%

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Future minimum lease payments under non-cancellable leases as of June 30, 2024 were as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2025	\$ 49,830	\$ 36,300
2026	30,820	6,050
2027	31,590	-
2028	32,383	-
2029	30,360	-
Total future minimum lease payments	174,983	42,350
Less: interest	(29,688)	(1,231)
Total	<u>\$ 145,295</u>	<u>\$ 41,119</u>

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, 2024 and 2023, NLSA was able to document \$258,386 and \$248,543, respectively, in expenses related to this requirement. NLSA met the minimum requirements and thus, a waiver was not required for the years ended June 30, 2024 or 2023. Schedule of Private Attorney Involvement Expenditures Related to Legal Services Corporation Support for the year ended June 30, 2024 are as follows:

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Private Attorney Involvement Requirement

Recipient #339060	<u>\$ 2,047,699</u>	
Private Attorney Involvement Requirement		<u>\$ 255,962</u>

Actual Private Attorney Involvement Expenses

Salaries:

Attorneys	18,198	
Other staff	<u>142,301</u>	
Total salaries	160,499	
Fringe benefits	78,178	
Other non-personnel costs	<u>19,709</u>	
Total Private Attorney Involvement Expenses		<u>258,386</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u><u>\$ 2,424</u></u>

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.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

8. Net Assets

At June 30, 2024 and 2023, net assets consist of the following:

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Board-designated:		
Operating reserve	\$ 375,000	\$ 375,000
Building reserve	247,500	247,500
Property and equipment	225,751	270,417
Undesignated	<u>2,191,656</u>	<u>1,963,977</u>
Total net assets without donor restrictions	<u>3,039,907</u>	<u>2,856,894</u>
Net assets with donor restrictions:		
The Pittsburgh Foundation	<u>75,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>75,000</u>	<u>-</u>
Total Net Assets	<u>\$ 3,114,907</u>	<u>\$ 2,856,894</u>

9. Refundable Advances

At June 30, 2024 and 2023, refundable advances consist of the following:

	<u>2024</u>	<u>2023</u>
LSC General Program	\$ 178,027	\$ 351,226
MLK	4,500	3,000
IOLTA	14,209	14,209
IOLTA - HEALS	-	27,060
AJA	135,666	192,065
UPMC Medical Legal	<u>125,168</u>	<u>251,827</u>
	<u>\$ 457,570</u>	<u>\$ 839,387</u>

All refundable advances as of June 30, 2024 and 2023, respectively, are considered conditional contributions with an unmet barrier to incur qualifying expenses.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024, NLSA had an LSC General Program carryover totaling \$178,027 (8.70% of fiscal year funding). As of June 30, 2023, NLSA had an LSC General Program carryover totaling \$351,226 (9.30% fiscal year funding). No waiver was required for the years ended June 30, 2024 or 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, 2024 and 2023, NLSA has IOLTA carryover totaling \$14,209 (1.47% of fiscal year funding) and \$14,209 (9.91% of fiscal year funding), respectively. No waiver was required for the years ended June 30, 2024 or 2023. An IOLTA HEALS waiver was received for the year ended June 30, 2023 permitting a carryover up to \$27,060. NLSA was required to pay back the excess funding to IOLTA for IOLTA HEALS in the amount of \$30,484, which is included in return of unused grant funds as of June 30, 2023. As of June 30, 2024, NLSA had expended \$20,825 of the prior year carryover balance of \$27,060. NLSA was required to pay back the excess funding to IOLTA for IOLTA HEALS funding in the amount of \$6,235, which was returned to IOLTA as of June 30, 2024. As of June 30, 2024, NLSA has AJA carryover totaling \$135,666 (10% of fiscal year funding). As of June 30, 2023, NLSA has AJA carryover totaling \$192,065 (10% of fiscal year funding). No waiver was required for the years ended June 30, 2024 or 2023.

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 \$115,509 and \$183,469 for the years ended June 30, 2024 and 2023.

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 years ended June 30, 2024 and 2023. The PLAN grant (including IOLTA funding) was approximately 45% and 44% of total revenue and other support for the years ended June 30, 2024 and 2023, respectively. Total revenue and other support used in these calculations do not include in-kind contributions.

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, 2024.

The following reflects NLSA's financial assets as of June 30, 2024 and 2023 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end	\$ 3,358,040	\$ 3,304,817
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(75,000)	-
Board-designated	<u>(622,500)</u>	<u>(622,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,660,540</u>	<u>\$ 2,682,317</u>

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

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

YEAR ENDED JUNE 30, 2024

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

	Legal Services Corporation						Pennsylvania Legal Aid Network	IOLTA HEALS	Other	Totals	
	General Program	PAI	Sub-total	LSC		Total				2024	2023
				Pro Bono Innovation	Prior Year Carryover						
Revenues and Other Support:											
Grants and contracts	\$ 1,611,133	\$ 258,386	\$ 1,869,519	\$ 126,993	\$ 178,027	\$ 2,174,539	\$ 3,750,930	\$ 119,125	\$ 2,007,206	\$ 8,051,800	\$ 7,855,872
Contributions of nonfinancial assets	-	-	-	-	-	-	-	-	540,847	540,847	381,073
Contributions of cash and other financial assets	-	-	-	-	-	-	-	-	195,814	195,814	289,512
Interest income	153	-	153	-	-	153	2,601	-	7,017	9,771	7,212
Other income	-	-	-	-	-	-	-	-	38,156	38,156	63,494
Total revenues and other support	<u>1,611,286</u>	<u>258,386</u>	<u>1,869,672</u>	<u>126,993</u>	<u>178,027</u>	<u>2,174,692</u>	<u>3,753,531</u>	<u>119,125</u>	<u>2,789,040</u>	<u>8,836,388</u>	<u>8,597,163</u>
Expenses:											
Salaries:											
Attorneys	634,254	18,198	652,452	57,472	70,077	780,001	1,371,137	38,830	788,709	2,978,677	3,060,172
In-kind services - pro bono	-	-	-	-	-	-	-	-	540,847	540,847	381,073
Paralegal	131,551	38,473	170,024	-	14,535	184,559	353,264	1,251	259,172	798,246	384,281
Support staff and administration	134,426	103,828	238,254	25,467	14,852	278,573	309,044	27,009	127,656	742,282	1,034,092
Law students	46,809	-	46,809	-	5,172	51,981	108,984	-	10,351	171,316	147,538
Total salaries	<u>947,040</u>	<u>160,499</u>	<u>1,107,539</u>	<u>82,939</u>	<u>104,636</u>	<u>1,295,114</u>	<u>2,142,429</u>	<u>67,090</u>	<u>1,726,735</u>	<u>5,231,368</u>	<u>5,007,156</u>
Employee benefits:											
Payroll taxes	79,290	13,255	92,545	6,861	8,761	108,167	179,168	5,417	96,009	388,761	376,106
Retirement plan	30,280	3,950	34,230	-	3,346	37,576	64,528	-	13,404	115,508	183,469
Hospitalization and dental insurance	332,744	59,070	391,814	28,000	36,764	456,578	759,781	18,464	492,482	1,727,305	1,637,877
Life, accident, and disability insurance	11,157	1,594	12,751	-	1,233	13,984	24,397	483	7,750	46,614	44,960
Workers' compensation	2,180	309	2,489	136	241	2,866	4,765	96	1,312	9,039	9,022
Total employee benefits	<u>455,651</u>	<u>78,178</u>	<u>533,829</u>	<u>34,997</u>	<u>50,345</u>	<u>619,171</u>	<u>1,032,639</u>	<u>24,460</u>	<u>610,957</u>	<u>2,287,227</u>	<u>2,251,434</u>
Consultants and contractors:											
Consultants	30,235	550	30,785	5,500	3,341	39,626	65,811	5,693	51,585	162,715	285,885
Auditing	6,243	876	7,119	-	690	7,809	13,889	-	3,929	25,627	22,017
Total consultants and contractors	<u>36,478</u>	<u>1,426</u>	<u>37,904</u>	<u>5,500</u>	<u>4,031</u>	<u>47,435</u>	<u>79,700</u>	<u>5,693</u>	<u>55,514</u>	<u>188,342</u>	<u>307,902</u>
Travel:											
Employee travel - local	1,568	343	1,911	226	173	2,310	3,559	1,966	2,171	10,006	8,519
Employee travel - out of town	8,046	1,030	9,076	631	889	10,596	17,130	-	2,378	30,104	30,865
Travel - training	3,577	-	3,577	1,479	395	5,451	7,650	142	1,321	14,564	8,611
Total travel	<u>13,191</u>	<u>1,373</u>	<u>14,564</u>	<u>2,336</u>	<u>1,457</u>	<u>18,357</u>	<u>28,339</u>	<u>2,108</u>	<u>5,870</u>	<u>54,674</u>	<u>47,995</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, 2024

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

(Continued)

	Legal Services Corporation										
	General Program	PAI	Sub-total	LSC			Pennsylvania Legal Aid Network	IOLTA HEALS	Other	Totals	
				Pro Bono Innovation	Prior Year Carryover	Total				2024	2023
Space costs:											
Rent and parking	15,430	1,896	17,326	-	1,705	19,031	32,783	-	3,630	55,444	59,561
Utilities	9,165	1,282	10,447	-	1,013	11,460	20,380	367	5,276	37,483	31,692
Maintenance and repairs	20,200	2,754	22,954	-	2,232	25,186	44,819	788	9,734	80,527	58,552
Other space costs	11,662	1,496	13,158	-	1,289	14,447	25,302	-	3,993	43,742	21,817
Total space costs	56,457	7,428	63,885	-	6,239	70,124	123,284	1,155	22,633	217,196	171,622
Consumable supplies:											
Office and computer supplies	3,907	1,224	5,131	-	432	5,563	9,675	4,606	15,942	35,786	24,561
IT/Tech Expenses	28,383	-	28,383	1,221	3,136	32,740	61,036	2,820	30,573	127,169	54,780
Janitorial supplies	1,012	-	1,012	-	112	1,124	2,152	36	403	3,715	3,787
F&E	-	-	-	-	-	-	-	-	-	-	-
Total consumable supplies	33,302	1,224	34,526	1,221	3,680	39,427	72,863	7,462	46,918	166,670	83,128
Equipment rental and maintenance:											
Repairs and maintenance	-	147	147	-	-	147	1,287	-	2,860	4,294	5,650
Equipment rentals	-	-	-	-	-	-	14,641	-	32,586	47,227	46,167
Total equipment rental and maintenance	-	147	147	-	-	147	15,928	-	35,446	51,521	51,817
Other expenses:											
Insurance and bonding	10,814	1,652	12,466	-	1,195	13,661	24,251	-	10,381	48,293	46,420
Dues and memberships	-	-	-	-	-	-	19,368	-	13,217	32,585	31,657
Printing	5,769	723	6,492	-	637	7,129	12,759	8,870	9,235	37,993	19,715
Advertising	3,066	547	3,613	-	339	3,952	6,833	1,000	4,205	15,990	17,510
Law library and subscription	13,177	-	13,177	-	1,456	14,633	28,413	-	2,941	45,987	40,681
Telephone	23,410	3,409	26,819	-	2,586	29,405	52,148	975	17,150	99,678	99,872
Postage and freight	4,916	688	5,604	-	543	6,147	10,734	-	3,264	20,145	14,017
Court costs	7,838	1,092	8,930	-	866	9,796	17,077	312	4,741	31,926	30,306
Miscellaneous	177	-	177	-	17	194	475	-	3,445	4,114	2,075
Total other expenses	69,167	8,111	77,278	-	7,639	84,917	172,058	11,157	68,579	336,711	302,253
Depreciation	-	-	-	-	-	-	-	-	44,666	44,666	44,667
Total expenses	1,611,286	258,386	1,869,672	126,993	178,027	2,174,692	3,667,240	119,125	2,617,318	8,578,375	8,267,973
Change in Net Assets	-	-	-	-	-	-	86,291	-	171,722	258,013	329,190
Net Assets:											
Beginning of year	-	-	-	-	-	-	64,196	-	2,792,698	2,856,894	2,527,704
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,487	\$ -	\$ 2,964,420	\$ 3,114,907	\$ 2,856,894
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, 2024

	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	\$ 474,182	\$ 1,413,060	\$ 362,824	\$ 60,000	\$ 963,140	\$ 6,000	\$ 69,603	\$ 239,356	\$ 162,765	\$ 3,750,930
Interest income	-	1,414	-	-	1,187	-	-	-	-	2,601
Total revenues and other support	<u>474,182</u>	<u>1,414,474</u>	<u>362,824</u>	<u>60,000</u>	<u>964,327</u>	<u>6,000</u>	<u>69,603</u>	<u>239,356</u>	<u>162,765</u>	<u>3,753,531</u>
Expenses:										
Salaries:										
Attorneys	166,727	553,523	131,301	31,147	368,659	-	37,538	41,491	40,751	1,371,137
Paralegal	50,572	112,817	34,374	2,575	82,963	-	-	69,963	-	353,264
Support staff and administration	39,919	116,360	30,639	4,207	80,636	-	7,377	21,897	8,009	309,044
Law students	13,894	40,520	10,663	1,471	28,073	6,000	-	8,363	-	108,984
Total salaries	<u>271,112</u>	<u>823,220</u>	<u>206,977</u>	<u>39,400</u>	<u>560,331</u>	<u>6,000</u>	<u>44,915</u>	<u>141,714</u>	<u>48,760</u>	<u>2,142,429</u>
Employee benefits:										
Payroll taxes	23,560	68,630	18,084	2,163	47,573	-	3,436	11,684	4,038	179,168
Retirement plan	9,007	26,206	6,914	818	18,175	-	-	3,408	-	64,528
Hospitalization and dental insurance	98,836	288,018	75,862	11,042	199,616	-	16,800	50,972	18,635	759,781
Life, accident, and disability insurance	3,318	9,656	2,547	302	6,696	-	-	1,375	503	24,397
Workers' compensation	648	1,887	498	59	1,308	-	-	267	98	4,765
Total employee benefits	<u>135,369</u>	<u>394,397</u>	<u>103,905</u>	<u>14,384</u>	<u>273,368</u>	<u>-</u>	<u>20,236</u>	<u>67,706</u>	<u>23,274</u>	<u>1,032,639</u>
Consultants and contractors:										
Consultants	8,981	26,171	6,893	828	18,138	-	-	4,800	-	65,811
Auditing	1,857	5,403	1,425	169	3,747	-	255	756	277	13,889
Total consultants and contractors	<u>10,838</u>	<u>31,574</u>	<u>8,318</u>	<u>997</u>	<u>21,885</u>	<u>-</u>	<u>255</u>	<u>5,556</u>	<u>277</u>	<u>79,700</u>
Travel:										
Employee travel - local	465	1,358	357	43	941	-	100	295	-	3,559
Employee travel - out of town	2,394	6,964	1,837	217	4,830	-	-	888	-	17,130
Travel - training	1,064	3,096	817	97	2,147	-	-	429	-	7,650
Total travel	<u>3,923</u>	<u>11,418</u>	<u>3,011</u>	<u>357</u>	<u>7,918</u>	<u>-</u>	<u>100</u>	<u>1,612</u>	<u>-</u>	<u>28,339</u>

(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, 2024

(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	4,591	13,354	3,524	416	9,262	-	-	1,636	-	32,783
Utilities	2,725	7,932	2,092	248	5,500	-	373	1,106	404	20,380
Maintenance and repairs	6,008	17,483	4,612	547	12,124	-	800	2,376	869	44,819
Other space costs	3,469	10,093	2,663	315	7,000	-	-	1,290	472	25,302
Total space costs	<u>16,793</u>	<u>48,862</u>	<u>12,891</u>	<u>1,526</u>	<u>33,886</u>	<u>-</u>	<u>1,173</u>	<u>6,408</u>	<u>1,745</u>	<u>123,284</u>
Consumable supplies:										
Office and computer supplies	1,156	3,383	887	110	2,341	-	356	1,056	386	9,675
IT/Tech Expenses	8,438	24,566	6,477	771	17,033	-	-	3,751	-	61,036
Janitorial supplies	301	876	231	27	607	-	-	110	-	2,152
F&E	-	-	-	-	-	-	-	-	-	-
Total consumable supplies	<u>9,895</u>	<u>28,825</u>	<u>7,595</u>	<u>908</u>	<u>19,981</u>	<u>-</u>	<u>356</u>	<u>4,917</u>	<u>386</u>	<u>72,863</u>
Equipment rental and maintenance:										
Repairs and maintenance	234	670	179	31	-	-	-	127	46	1,287
Equipment rentals	2,784	7,975	2,131	366	-	-	-	1,385	-	14,641
Total equipment rental and maintenance	<u>3,018</u>	<u>8,645</u>	<u>2,310</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512</u>	<u>46</u>	<u>15,928</u>
Other expenses:										
Insurance and bonding	3,215	9,359	2,468	294	6,489	-	480	1,425	521	24,251
Dues and memberships	2,690	7,706	2,059	155	5,473	-	324	961	-	19,368
Printing	1,712	4,994	1,314	159	3,459	-	-	1,121	-	12,759
Advertising	911	2,654	699	84	1,840	-	-	472	173	6,833
Law library and subscriptions	3,921	11,403	3,010	355	7,910	-	457	1,357	-	28,413
Telephone	6,942	20,227	5,314	631	14,027	-	991	2,941	1,075	52,148
Postage and freight	1,462	4,255	1,122	133	2,951	-	-	594	217	10,734
Court costs	2,331	6,783	1,789	212	4,704	-	316	942	-	17,077
Miscellaneous	50	152	42	8	105	-	-	118	-	475
Total other expenses	<u>23,234</u>	<u>67,533</u>	<u>17,817</u>	<u>2,031</u>	<u>46,958</u>	<u>-</u>	<u>2,568</u>	<u>9,931</u>	<u>1,986</u>	<u>172,058</u>
Total expenses	<u>474,182</u>	<u>1,414,474</u>	<u>362,824</u>	<u>60,000</u>	<u>964,327</u>	<u>6,000</u>	<u>69,603</u>	<u>239,356</u>	<u>76,474</u>	<u>3,667,240</u>
Change in Net Assets	-	-	-	-	-	-	-	-	86,291	86,291
Net Assets:										
Beginning of year	-	-	-	-	-	-	-	-	64,196	64,196
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,487</u>	<u>\$ 150,487</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, 2024

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	\$ 2,047,699	\$ -
Legal Services Corporation Pro Bono Innovation Fund	N/A	09.U01.339060	126,993	-
Total U.S. Congress			2,174,692	-
U.S. Department of Health and Human Services				
Passed through Pennsylvania Legal Aid Network:				
Social Services Block Grant	N/A	93.667	474,182	-
Passed through Pennsylvania Department of Community and Economic Development:				
Passed through Beaver County:				
Community Services Block Grant	N/A	93.569	24,437	-
Total Community Services Block Grant			24,437	-
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			506,893	-
U.S. Department of Justice				
Passed through PA Commission on Crime and Delinquency:				
Crime Victim Assistance	33233	16.575	220,895	18,968
Crime Victim Assistance	40513	16.575	479,788	45,358
Total Crime Victim Assistance Grants			700,683	64,326
Total U.S. Department of Justice			700,683	64,326
Total Expenditures of Federal Awards			\$ 3,382,268	\$ 64,326

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, 2024

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, 2024

**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, 2024, 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 3, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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,

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

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mahe Duessel

Harrisburg, Pennsylvania
October 3, 2024

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

**Board of Directors
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, 2024. 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, 2024.

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.

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
October 3, 2024

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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, 2024

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

No matters were reported.

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, 2024

Finding 2023-001 – Financial Reporting

Status: NLSA was able to fully address this matter in the year ended June 30, 2024.