

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

Financial Statements and  
Supplementary Information

Years Ended June 30, 2025 and 2024  
with Independent Auditor's Reports

**MaherDuessel**

A horizontal bar is positioned below the company name, consisting of a black segment on the left and a blue segment on the right.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2025 AND 2024

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# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 7, 2025 on our consideration of NLSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NLSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NLSA's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
October 7, 2025

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,748,790	\$ 2,254,163
Client escrow funds	20,338	20,526
Contracts and grants receivable:		
Pennsylvania Legal Aid Network	485,270	485,729
Other	469,934	618,148
Prepaid expenses	46,072	53,849
Right-of-use assets - operating leases, net of accumulated amortization	163,317	145,296
Right-of-use assets - financing leases, net of accumulated amortization	5,629	39,402
Property and equipment	188,236	225,751
<b>Total Assets</b>	<b><u>\$ 4,127,586</u></b>	<b><u>\$ 3,842,864</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 32,460	\$ 61,816
Client trust deposits	20,338	20,526
Operating lease liability	163,316	145,295
Financing lease liability	6,014	41,119
Refundable advances	239,820	457,570
Other liabilities	1,631	1,631
<b>Total Liabilities</b>	<b><u>463,579</u></b>	<b><u>727,957</u></b>
Net Assets:		
Without donor restrictions	3,664,007	3,039,907
With donor restrictions	-	75,000
<b>Total Net Assets</b>	<b><u>3,664,007</u></b>	<b><u>3,114,907</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 4,127,586</u></b>	<b><u>\$ 3,842,864</u></b>

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support:</b>			
Grants and contracts	\$ 9,282,220	\$ -	\$ 9,282,220
Contributions:			
Contributions of nonfinancial assets	509,683	-	509,683
Contributions of cash and other financial assets	306,227	-	306,227
Interest income	10,073	-	10,073
Other income	52,343	-	52,343
Net assets released from restrictions	75,000	(75,000)	-
Total revenues and other support	10,235,546	(75,000)	10,160,546
<b>Expenses:</b>			
Program services	9,273,405	-	9,273,405
Management and general	310,001	-	310,001
Fundraising	28,040	-	28,040
Total expenses	9,611,446	-	9,611,446
<b>Change in Net Assets</b>	624,100	(75,000)	549,100
<b>Net Assets:</b>			
Beginning of year	3,039,907	75,000	3,114,907
End of year	\$ 3,664,007	\$ -	\$ 3,664,007

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
<b>Revenues and Other Support:</b>			
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
<b>Expenses:</b>			
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
<b>Change in Net Assets</b>	183,013	75,000	258,013
<b>Net Assets:</b>			
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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>Personnel Expenses:</b>				
Attorneys	\$ 3,195,934	\$ 121,541	\$ 1,180	\$ 3,318,655
Paralegals	1,074,087	-	-	1,074,087
Support staff and administration	612,415	23,542	6,852	642,809
Law students	176,145	-	-	176,145
In-kind services	509,683	-	-	509,683
Employee benefits	2,463,353	70,650	3,752	2,537,755
Total personnel expenses	<u>8,031,617</u>	<u>215,733</u>	<u>11,784</u>	<u>8,259,134</u>
<b>Other Expenses:</b>				
Consultants and contractors	401,456	33,015	2,507	436,978
Travel	58,799	1,051	-	59,850
Space costs	193,374	5,546	285	199,205
Consumable supplies	206,997	5,860	301	213,158
Equipment rental and maintenance	25,056	1,725	-	26,781
Other expenses	287,514	44,599	12,939	345,052
Depreciation and amortization	68,592	2,472	224	71,288
Total other expenses	<u>1,241,788</u>	<u>94,268</u>	<u>16,256</u>	<u>1,352,312</u>
Total expenses	<u>\$ 9,273,405</u>	<u>\$ 310,001</u>	<u>\$ 28,040</u>	<u>\$ 9,611,446</u>

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
<b>Personnel Expenses:</b>				
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>
<b>Other Expenses:</b>				
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

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 549,100	\$ 258,013
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	37,515	44,666
Reduction of right-of-use asset - finance lease	33,773	33,774
Reduction of right-of-use asset - operating lease	41,261	45,305
(Increase) decrease in:		
Accounts receivable	148,673	(560,277)
Prepaid expenses	7,777	146,826
Increase (decrease) in:		
Accounts payable and accrued expenses	(29,356)	19,173
Return of unused grant funds	-	(30,484)
Client trust deposits	(188)	8,107
Lease liability - operating	(41,261)	(45,306)
Refundable advances	(217,750)	(381,817)
Other liabilities	-	(3,448)
Net cash provided by (used in) operating activities	529,544	(465,468)
<b>Cash Flows From Financing Activities:</b>		
Payments on finance lease liabilities	(35,105)	(33,479)
Net cash provided by (used in) financing activities	(35,105)	(33,479)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>494,439</b>	<b>(498,947)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	2,274,689	2,773,636
End of year	\$ 2,769,128	\$ 2,274,689
<b>Reconciliation to Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 2,748,790	\$ 2,254,163
Client escrow funds	20,338	20,526
Total Cash	\$ 2,769,128	\$ 2,274,689
<b>Supplemental Cash Flow Information:</b>		
Interest paid - financing leases	\$ 1,195	\$ 2,821
<b>Schedule of Noncash Investing Activities</b>		
Addition of right-to-use assets for operating leases	\$ 59,282	\$ 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, 2025 AND 2024

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### 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, 2025 AND 2024

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### 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, 2025 AND 2024

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### 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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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, 2025 and 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, 2025 AND 2024

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### 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, 2025 AND 2024

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### 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.

### Subsequent Events

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

## 3. Contributed Nonfinancial Assets

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized with the statement of activities included:

	<u>2025</u>	<u>2024</u>
Pro bono attorney legal services	\$ 373,426	\$ 331,474
Pro bono paralegal/student legal services	<u>136,257</u>	<u>209,373</u>
	<u>\$ 509,683</u>	<u>\$ 540,847</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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025 and 2024. For the years ended June 30, 2025 and 2024, approximately 1,965 and 1,745 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, 2025 and 2024. For the years ended June 30, 2025 and 2024, approximately 1,879 and 2,888 hours of pro bono legal services were provided by paralegals, respectively.

#### 4. Client Escrow Funds

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

#### 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2025 and 2024:

	2025		
	Non-LSC	LSC	Total
Buildings and improvements	\$ 1,352,905	\$ -	\$ 1,352,905
Furniture and equipment	182,373	177,427	359,800
Total	1,535,278	177,427	1,712,705
Less: accumulated depreciation	(1,347,042)	(177,427)	(1,524,469)
Total property and equipment, net	<u>\$ 188,236</u>	<u>\$ -</u>	<u>\$ 188,236</u>

  

	2024		
	Non-LSC	LSC	Total
Buildings and improvements	\$ 1,352,905	\$ -	\$ 1,352,905
Furniture and equipment	182,373	177,427	359,800
Total	1,712,705	177,427	1,712,705
Less: accumulated depreciation	(1,309,527)	(177,427)	(1,486,954)
Total property and equipment, net	<u>\$ 225,751</u>	<u>\$ -</u>	<u>\$ 225,751</u>

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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Depreciation expenses totaled \$37,515 and \$44,666 for the years ended June 30, 2025 and 2024, 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%. All amounts borrowed on this line of credit are payable on demand. The line of credit is renewed on an annual basis. There was no balance outstanding on the line of credit as of June 30, 2025 and 2024.

### 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, 2025, assets and accumulated amortization recorded under the operating leases were \$291,115 and \$127,798, respectively. Assets and accumulated amortization recorded under the financing leases were \$106,949 and \$100,935, respectively. As of June 30, 2024, assets and accumulated amortization recorded under the operating leases were \$231,842 and \$86,537, respectively. Assets and accumulated amortization recorded under the financing leases were \$106,949 and \$73,175, respectively.

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 41,261	\$ 47,332
Finance lease cost:		
Amortization of right-of-use assets	\$ 33,773	\$ 33,774
Interest on lease liabilities	<u>1,195</u>	<u>2,821</u>
Total finance lease costs	<u>\$ 34,968</u>	<u>\$ 36,595</u>

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# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Other information related to leases was as follows:

### Supplemental Cash Flows information

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 51,663	\$ 47,332
Operating cash flows from finance leases	35,105	33,479
Financing cash flows from finance leases	1,195	2,821
Weighted average remaining lease term:		
Operating leases	3.56 years	4.39 years
Finance leases	0.17 years	1.17 years
Weighted average discount rate:		
Operating leases	8.00%	8.08%
Finance leases	4.75%	4.75%

Future minimum lease payments under non-cancellable leases as of June 30, 2025 were as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2026	\$ 52,811	\$ 6,050
2027	53,581	-
2028	52,542	-
2029	30,360	-
Total future minimum lease payments	189,294	6,050
Less: interest	(25,978)	(36)
Total	<u>\$ 163,316</u>	<u>\$ 6,014</u>

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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### 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. The LSC basic field grant receipts totaled \$2,084,749 for the year ended June 30, 2025. NLSA expended \$264,335 for PAI during the year ended June 30, 2025. The LSC basic field grant receipts totaled \$2,047,699 for the year ended June 30, 2024. NLSA expended \$255,962 for PAI during the year ended June 30, 2024. NLSA met the minimum requirements and thus, a waiver was not required for the years ended June 30, 2025 or 2024.

Schedule of Private Attorney Involvement Expenditures Related to Legal Services Corporation Support for the year ended June 30, 2025 are as follows:

### Private Attorney Involvement Requirement

Recipient #339060	<u>\$ 2,084,749</u>	
Private Attorney Involvement Requirement		<u>\$ 260,594</u>

### Actual Private Attorney Involvement Expenses

Salaries:		
Attorneys	17,695	
Other staff	<u>139,313</u>	
Total salaries	157,008	
Fringe benefits	76,359	
Other non-personnel costs	<u>30,968</u>	
Total Private Attorney Involvement Expenses		<u>264,335</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u>\$ 3,741</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.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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### 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

Net assets as of June 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Board-designated:		
Operating reserve	\$ 375,000	\$ 375,000
Building reserve	247,500	247,500
Property and equipment	188,236	225,751
Undesignated	<u>2,851,939</u>	<u>2,191,656</u>
Total net assets without donor restrictions	<u>3,662,675</u>	<u>3,039,907</u>
Net assets with donor restrictions:		
The Pittsburgh Foundation	<u>-</u>	<u>75,000</u>
Total net assets with donor restrictions	<u>-</u>	<u>75,000</u>
Total Net Assets	<u><u>\$ 3,662,675</u></u>	<u><u>\$ 3,114,907</u></u>

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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### 9. Refundable Advances

NLSA's refundable advances as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
LSC General Program	\$ 17,465	\$ 178,027
MLK	4,000	4,500
IOLTA	82,689	14,209
AJA	135,666	135,666
UPMC Medical Legal	-	125,168
	<u>\$ 239,820</u>	<u>\$ 457,570</u>

All refundable advances as of June 30, 2025 and 2024, 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, 2025, NLSA had an LSC General Program carryover totaling \$17,465 (0.77% fiscal year funding). As of June 30, 2024, NLSA had an LSC General Program carryover totaling \$178,027 (8.70% fiscal year funding). No waiver was required for the years ended June 30, 2025 or 2024.

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, 2025 and 2024, NLSA had IOLTA carryover totaling \$82,689 (5.03% of fiscal year funding) and \$14,209 (1.47% of fiscal year funding), respectively. No waiver was required for the years ended June 30, 2025 or 2024. As of June 30, 2025, NLSA has AJA carryover totaling \$135,666 (9.81% of fiscal year funding). As of June 30, 2024, NLSA has AJA carryover totaling \$135,666 (10% of fiscal year funding). No waiver was required for the years ended June 30, 2025 or 2024.

### 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.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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Employees may make additional contributions to the plan on a voluntary basis. Pension expense totaled \$128,027 and \$115,509 for the years ended June 30, 2025 and 2024.

### **12. Concentration of Credit Risk**

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.

### **12. Risks and Uncertainty**

A significant amount of funding is received for continued operations of NLSA from PLAN and LSC. Grants received are subject to audit and adjustment by grantor agencies, principally PLAN and LSC. 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. PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth and the federal government. The LSC grant was approximately 26% and 28% of total revenue and other support for the years ended June 30, 2025 and 2024, respectively. The PLAN grant (including IOLTA funding) was approximately 50% and 45% of total revenue and other support for the years ended June 30, 2025 and 2024, respectively. Total revenue and other support used in these calculations do not include in-kind contributions.

### **13. Liquidity and Availability**

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

As discussed in Note 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, 2025.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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The following reflects NLSA's financial assets as of June 30, 2025 and 2024 expected to be available within one year to meet the cash needs for general expenditures. This amount comprised of all assets as of June 30, 2025 and 2024, except for client escrow funds, prepaid expenses, right-of-use assets, and net property and equipment.

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end	\$ 3,703,994	\$ 3,358,040
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>\$ 3,081,494</u>	<u>\$ 2,660,540</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, 2025  
(With Comparative Totals for the Year Ended June 30, 2024)

	Legal Services Corporation						Pennsylvania Legal Aid Network	IOLTA HEALS	Other	Totals	
	General Program	PAI	Sub-total	LSC		Total				2025	2024
				Pro Bono Innovation	Prior Year Carryover						
<b>Revenues and Other Support:</b>											
Grants and contracts	\$ 1,802,949	\$ 264,335	\$ 2,067,284	\$ 132,405	\$ 178,027	\$ 2,377,716	\$ 4,626,148	\$ 98,300	\$ 2,180,056	\$ 9,282,220	\$ 8,051,800
Contributions of nonfinancial assets	-	-	-	-	-	-	-	-	509,683	509,683	540,847
Contributions of cash and other financial assets	-	-	-	-	-	-	-	-	306,227	306,227	195,814
Interest income	298	-	298	-	-	298	2,108	-	7,667	10,073	9,771
Other income	-	-	-	-	-	-	-	-	52,343	52,343	38,156
<b>Total revenues and other support</b>	<b>1,803,247</b>	<b>264,335</b>	<b>2,067,582</b>	<b>132,405</b>	<b>178,027</b>	<b>2,378,014</b>	<b>4,628,256</b>	<b>98,300</b>	<b>3,055,976</b>	<b>10,160,546</b>	<b>8,836,388</b>
<b>Expenses:</b>											
<b>Salaries:</b>											
Attorneys	651,330	17,695	669,025	37,383	64,303	770,711	1,682,384	33,460	832,100	3,318,655	2,978,677
In-kind services - pro bono	-	-	-	-	-	-	-	-	509,683	509,683	540,847
Paralegal	188,531	43,484	232,015	26,117	18,613	276,745	531,304	-	266,038	1,074,087	798,246
Support staff and administration	105,106	95,828	200,934	-	10,377	211,311	266,613	44,535	120,350	642,809	742,282
Law students	50,593	-	50,593	-	4,995	55,588	118,412	-	2,145	176,145	171,316
<b>Total salaries</b>	<b>995,560</b>	<b>157,007</b>	<b>1,152,567</b>	<b>63,500</b>	<b>98,288</b>	<b>1,314,355</b>	<b>2,598,713</b>	<b>77,995</b>	<b>1,730,316</b>	<b>5,721,379</b>	<b>5,231,368</b>
<b>Employee benefits:</b>											
Payroll taxes	88,035	13,039	101,074	5,352	8,691	115,117	218,845	6,227	93,921	434,110	388,761
Retirement plan	34,260	3,854	38,114	-	3,382	41,496	81,432	-	5,098	128,026	115,508
Hospitalization and dental insurance	409,644	57,733	467,377	27,727	40,442	535,546	984,416	10,485	387,604	1,918,051	1,727,305
Life, accident, and disability insurance	11,937	1,488	13,425	715	1,178	15,318	28,747	377	4,992	49,434	46,614
Workers' compensation	2,003	245	2,248	118	198	2,564	4,823	62	685	8,134	9,039
<b>Total employee benefits</b>	<b>545,879</b>	<b>76,359</b>	<b>622,238</b>	<b>33,912</b>	<b>53,891</b>	<b>710,041</b>	<b>1,318,263</b>	<b>17,151</b>	<b>492,300</b>	<b>2,537,755</b>	<b>2,287,227</b>
<b>Consultants and contractors:</b>											
Consultants	80,999	12,324	93,323	27,600	7,997	128,920	188,641	-	86,402	403,963	162,715
Auditing	7,952	994	8,946	-	785	9,731	19,746	251	3,287	33,015	25,627
<b>Total consultants and contractors</b>	<b>88,951</b>	<b>13,318</b>	<b>102,269</b>	<b>27,600</b>	<b>8,782</b>	<b>138,651</b>	<b>208,387</b>	<b>251</b>	<b>89,689</b>	<b>436,978</b>	<b>188,342</b>
<b>Travel:</b>											
Employee travel - local	2,221	302	2,523	-	219	2,742	5,474	76	1,724	10,016	10,006
Employee travel - out of town	9,351	1,135	10,486	2,422	923	13,831	22,227	-	1,641	37,699	30,104
Travel - training	2,876	-	2,876	1,400	284	4,560	6,835	97	643	12,135	14,564
<b>Total travel</b>	<b>14,448</b>	<b>1,437</b>	<b>15,885</b>	<b>3,822</b>	<b>1,426</b>	<b>21,133</b>	<b>34,536</b>	<b>173</b>	<b>4,008</b>	<b>59,850</b>	<b>54,674</b>

(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, 2025  
(With Comparative Totals for the Year Ended June 30, 2024)  
(Continued)

	Legal Services Corporation						Pennsylvania Legal Aid Network	IOLTA HEALS	Other	Totals	
	General Program	PAI	Sub-total	LSC		Total				2025	2024
				Pro Bono Innovation	Prior Year Carryover						
<b>Space costs:</b>											
Rent and parking	16,556	1,799	18,355	-	1,635	19,990	39,351	-	433	59,774	55,444
Utilities	7,604	899	8,503	-	751	9,254	18,813	228	1,577	29,872	37,483
Maintenance and repairs	23,118	2,681	25,799	-	2,282	28,081	56,840	679	3,475	89,075	80,527
Other space costs	5,598	617	6,215	-	553	6,768	13,403	-	313	20,484	43,742
<b>Total space costs</b>	<b>52,876</b>	<b>5,996</b>	<b>58,872</b>	<b>-</b>	<b>5,221</b>	<b>64,093</b>	<b>128,407</b>	<b>907</b>	<b>5,798</b>	<b>199,205</b>	<b>217,196</b>
<b>Consumable supplies:</b>											
Office and computer supplies	2,525	682	3,207	-	249	3,456	6,320	166	11,847	21,789	35,786
IT/Tech Expenses	26,608	-	26,608	-	2,627	29,235	63,245	400	95,797	188,677	127,169
Janitorial supplies	762	-	762	-	75	837	1,813	22	20	2,692	3,715
<b>Total consumable supplies</b>	<b>29,895</b>	<b>682</b>	<b>30,577</b>	<b>-</b>	<b>2,951</b>	<b>33,528</b>	<b>71,378</b>	<b>588</b>	<b>107,664</b>	<b>213,158</b>	<b>166,670</b>
<b>Equipment rental and maintenance:</b>											
Repairs and maintenance	104	130	234	-	10	244	1,591	-	2,468	4,303	4,294
Equipment rentals	512	-	512	-	50	562	8,011	-	47,678	56,251	47,227
<b>Total equipment rental and maintenance</b>	<b>616</b>	<b>130</b>	<b>746</b>	<b>-</b>	<b>60</b>	<b>806</b>	<b>9,602</b>	<b>-</b>	<b>50,146</b>	<b>60,554</b>	<b>51,521</b>
<b>Other expenses:</b>											
Insurance and bonding	10,628	1,265	11,893	-	1,049	12,942	26,242	-	2,850	42,034	48,293
Dues and memberships	-	-	-	-	-	-	37,846	-	427	38,273	32,585
Printing	4,805	1,383	6,188	3,571	474	10,233	11,421	75	9,137	30,866	37,993
Advertising	3,091	667	3,758	-	305	4,063	7,451	169	10,466	22,149	15,990
Law library and subscription	14,659	-	14,659	-	1,447	16,106	35,894	-	2,182	54,182	45,987
Telephone	25,196	2,394	27,590	-	2,488	30,078	53,097	606	-	83,781	99,678
Postage and freight	3,519	567	4,086	-	347	4,433	8,454	143	5,804	18,834	20,145
Court costs	7,852	959	8,811	-	775	9,586	19,239	242	2,807	31,874	31,926
Miscellaneous	5,272	2,171	7,443	-	523	7,966	12,527	-	2,566	23,059	4,114
<b>Total other expenses</b>	<b>75,022</b>	<b>9,406</b>	<b>84,428</b>	<b>3,571</b>	<b>7,408</b>	<b>95,407</b>	<b>212,171</b>	<b>1,235</b>	<b>36,239</b>	<b>345,052</b>	<b>336,711</b>
Depreciation	-	-	-	-	-	-	-	-	37,515	37,515	44,666
<b>Total expenses</b>	<b>1,803,247</b>	<b>264,335</b>	<b>2,067,582</b>	<b>132,405</b>	<b>178,027</b>	<b>2,378,014</b>	<b>4,581,457</b>	<b>98,300</b>	<b>2,553,675</b>	<b>9,611,446</b>	<b>8,578,375</b>
<b>Change in Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,799</b>	<b>-</b>	<b>502,301</b>	<b>549,100</b>	<b>258,013</b>
<b>Net Assets:</b>											
Beginning of year	-	-	-	-	-	-	150,487	-	2,964,420	3,114,907	2,856,894
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,286	\$ -	\$ 3,466,721	\$ 3,664,007	\$ 3,114,907
<b>Acquisition of Property</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(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, 2025

	Pennsylvania Legal Aid Network											Total
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	MLK Student	PHARE	DAP Innovation	PLAN HAF	PLAN MLK FELLOW	STATE HOUSING	
<b>Revenues and Other Support:</b>												
Contracts and grants	\$ 461,533	\$ 1,382,062	\$ 345,550	\$ 98,067	\$ 1,575,563	\$ 10,500	\$ 158,527	\$ 243,263	\$ 83,820	\$ 18,998	\$ 248,265	\$ 4,626,148
Interest income	-	993	-	-	1,115	-	-	-	-	-	-	2,108
Total revenues and other support	<u>461,533</u>	<u>1,383,055</u>	<u>345,550</u>	<u>98,067</u>	<u>1,576,678</u>	<u>10,500</u>	<u>158,527</u>	<u>243,263</u>	<u>83,820</u>	<u>18,998</u>	<u>248,265</u>	<u>4,628,256</u>
<b>Expenses:</b>												
Salaries:												
Attorneys	196,178	486,830	121,152	54,154	504,649	-	88,417	24,683	20,872	12,385	173,064	1,682,384
Paralegal	32,731	150,500	40,228	3,000	194,497	-	-	110,348	-	-	-	531,304
Support staff and administration	24,928	80,082	19,825	4,777	94,456	-	13,732	11,281	3,054	-	14,478	266,613
Law students	11,746	38,570	9,516	2,138	45,942	10,500	-	-	-	-	-	118,412
Total salaries	<u>265,583</u>	<u>755,982</u>	<u>190,721</u>	<u>64,069</u>	<u>839,544</u>	<u>10,500</u>	<u>102,149</u>	<u>146,312</u>	<u>23,926</u>	<u>12,385</u>	<u>187,542</u>	<u>2,598,713</u>
Employee benefits:												
Payroll taxes	20,853	67,077	16,602	2,813	79,163	-	7,814	9,410	1,993	1,044	12,076	218,845
Retirement plan	8,125	26,103	6,462	1,557	30,789	-	-	3,677	-	-	4,719	81,432
Hospitalization and dental insurance	95,939	312,118	76,852	19,819	369,774	-	40,203	51,993	9,113	5,407	3,198	984,416
Life, accident, and disability insurance	2,831	9,095	2,252	543	10,727	-	-	1,281	235	139	1,644	28,747
Workers' compensation	475	1,526	378	91	1,800	-	-	215	39	23	276	4,823
Total employee benefits	<u>128,223</u>	<u>415,919</u>	<u>102,546</u>	<u>24,823</u>	<u>492,253</u>	<u>-</u>	<u>48,017</u>	<u>66,576</u>	<u>11,380</u>	<u>6,613</u>	<u>21,913</u>	<u>1,318,263</u>
Consultants and contractors:												
Consultants	19,131	61,722	15,270	-	72,942	-	-	8,573	-	-	11,003	188,641
Auditing	1,886	6,059	1,500	361	7,147	-	687	854	157	-	1,095	19,746
Total consultants and contractors	<u>21,017</u>	<u>67,781</u>	<u>16,770</u>	<u>361</u>	<u>80,089</u>	<u>-</u>	<u>687</u>	<u>9,427</u>	<u>157</u>	<u>-</u>	<u>12,098</u>	<u>208,387</u>
Travel:												
Employee travel - local	527	1,692	419	101	1,996	-	195	238	-	-	306	5,474
Employee travel - out of town	2,218	7,125	1,764	425	8,403	-	-	1,004	-	-	1,288	22,227
Travel - training	682	2,191	542	131	2,584	-	-	309	-	-	396	6,835
Total travel	<u>3,427</u>	<u>11,008</u>	<u>2,725</u>	<u>657</u>	<u>12,983</u>	<u>-</u>	<u>195</u>	<u>1,551</u>	<u>-</u>	<u>-</u>	<u>1,990</u>	<u>34,536</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, 2025

(Continued)

	Pennsylvania Legal Aid Network										Total	
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	MLK Student	PHARE	DAP Expansion	PLAN HAF	PLAN MLK FELLOW		STATE HOUSING
<b>Space costs:</b>												
Rent and parking	3,927	12,614	3,123	752	14,878	-	-	1,777	-	-	2,280	39,351
Utilities	1,803	5,793	1,434	346	6,833	-	599	816	142	-	1,047	18,813
Maintenance and repairs	5,483	17,614	4,361	1,051	20,776	-	1,467	2,481	423	-	3,184	56,840
Other space costs	1,328	4,265	1,056	254	5,031	-	-	601	97	-	771	13,403
<b>Total space costs</b>	<b>12,541</b>	<b>40,286</b>	<b>9,974</b>	<b>2,403</b>	<b>47,518</b>	<b>-</b>	<b>2,066</b>	<b>5,675</b>	<b>662</b>	<b>-</b>	<b>7,282</b>	<b>128,407</b>
<b>Consumable supplies:</b>												
Office and computer supplies	599	1,924	476	115	2,269	-	214	271	104	-	348	6,320
IT/Tech Expenses	6,311	20,273	5,019	1,209	23,912	-	-	2,856	-	-	3,665	63,245
Janitorial supplies	181	581	144	35	685	-	-	82	-	-	105	1,813
<b>Total consumable supplies</b>	<b>7,091</b>	<b>22,778</b>	<b>5,639</b>	<b>1,359</b>	<b>26,866</b>	<b>-</b>	<b>214</b>	<b>3,209</b>	<b>104</b>	<b>-</b>	<b>4,118</b>	<b>71,378</b>
<b>Equipment rental and maintenance:</b>												
Repairs and maintenance	229	713	177	54	107	-	-	127	20	-	164	1,591
Equipment rentals	1,169	3,641	904	277	528	-	-	653	-	-	839	8,011
<b>Total equipment rental     and maintenance</b>	<b>1,398</b>	<b>4,354</b>	<b>1,081</b>	<b>331</b>	<b>635</b>	<b>-</b>	<b>-</b>	<b>780</b>	<b>20</b>	<b>-</b>	<b>1,003</b>	<b>9,602</b>
<b>Other expenses:</b>												
Insurance and bonding	2,490	8,100	2,001	463	9,609	-	881	1,094	200	-	1,404	26,242
Dues and memberships	4,075	12,200	3,048	480	14,509	-	947	1,133	-	-	1,454	37,846
Printing	1,140	3,661	906	218	4,318	-	-	516	-	-	662	11,421
Advertising	733	2,355	583	140	2,777	-	-	332	105	-	426	7,451
Law library and subscriptions	3,477	11,169	2,765	666	13,174	-	1,051	1,573	-	-	2,019	35,894
Telephone	6,392	14,780	3,653	1,340	17,445	-	1,744	3,299	378	-	4,066	53,097
Postage and freight	835	2,681	664	160	3,162	-	-	378	89	-	485	8,454
Court costs	1,862	5,982	1,481	357	7,056	-	576	843	-	-	1,082	19,239
Miscellaneous	1,249	4,019	993	240	4,740	-	-	565	-	-	721	12,527
<b>Total other expenses</b>	<b>22,253</b>	<b>64,947</b>	<b>16,094</b>	<b>4,064</b>	<b>76,790</b>	<b>-</b>	<b>5,199</b>	<b>9,733</b>	<b>772</b>	<b>-</b>	<b>12,319</b>	<b>212,171</b>
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>461,533</b>	<b>1,383,055</b>	<b>345,550</b>	<b>98,067</b>	<b>1,576,678</b>	<b>10,500</b>	<b>158,527</b>	<b>243,263</b>	<b>37,021</b>	<b>18,998</b>	<b>248,265</b>	<b>4,581,457</b>
<b>Change in Net Assets</b>	-	-	-	-	-	-	-	-	46,799	-	-	46,799
<b>Net Assets:</b>												
Beginning of year	-	-	-	-	-	-	-	-	150,487	-	-	150,487
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,286	\$ -	\$ -	\$ 197,286
<b>Acquisition of Property</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program Title	Pass-Through Grantor Number	Federal Assistance Listing Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. Congress</b>				
Legal Services Corporation Basic Field Grant	N/A	09.U01.339060	\$ 2,245,609	\$ -
Legal Services Corporation Pro Bono Innovation Fund	N/A	09.U01.339060	132,405	-
Total U.S. Congress			<u>2,378,014</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through Pennsylvania Legal Aid Network:				
Social Services Block Grant	N/A	93.667	461,533	-
Passed through Pennsylvania Department of Community and Economic Development:				
Passed through Beaver County:				
Community Services Block Grant	N/A	93.569	14,164	-
Total Community Services Block Grant			<u>14,164</u>	<u>-</u>
Passed through the Allegheny County Department of Human Services:				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	N/A	93.041	25,740	-
Total U.S. Department of Health and Human Services			<u>501,437</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Passed through PA Commission on Crime and Delinquency:				
Crime Victim Assistance	40513	16.575	111,428	9,132
Crime Victim Assistance	40513-2	16.575	405,673	43,691
Total Crime Victim Assistance			<u>517,101</u>	<u>52,823</u>
Total U.S. Department of Justice			<u>517,101</u>	<u>52,823</u>
Total Expenditures of Federal Awards			<u>\$ 3,396,552</u>	<u>\$ 52,823</u>

See accompanying notes to schedule of expenditures of federal awards.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

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### **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, 2025

**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, 2025, 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 7, 2025.

## **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 were not identified. We identified a certain deficiency in internal control. Described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

### 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 an instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

### NLSA's Response to the Finding

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

### Purpose of this Report

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

*Maher Duessel*

Harrisburg, Pennsylvania  
October 7, 2025

## **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, 2025. 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, 2025.

#### **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.

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 7, 2025

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

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### 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, 2025

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

### **Finding 2025-001 – Financial Reporting**

#### *Material Weakness*

*Condition:* During our review of a grant agreement between NLSA and the Urban Redevelopment Authority of Pittsburgh (URA), we noted that grant proceeds were required to be used for eligible project costs, including labor, specifically the salaries and wages and related costs of NLSA's staff performing the legal services. However, per our examination of submitted expenses for reimbursement, the entity billed the URA a fixed hourly fee for salaries, resulting in a total amount billed of \$321,000.

*Criteria:* According to the grant agreement, only eligible and allowable actual project costs, including actual salaries and wages incurred, should be charged to the grant. Additionally, the cost allocation should reflect the terms of the grant.

*Cause:* The entity billed the grantor using a fixed hourly rate per instructions received by the URA, rather than substantiating reimbursement requests with actual costs incurred, as required by the grant agreement. Additionally, during the review of the cost allocation any costs in excess of revenue should be reviewed for propriety.

*Effect:* The billing is not in accordance with the contract, which could result in unallowable costs.

*Recommendation:* We recommend that the entity request a formal amendment to adjust the wording to more accurately reflect how costs are charged to the agreement. Clarifying the language can help ensure that reporting requirements, performance metrics, and compliance obligations are clearly understood by all parties and align with the actual implementation of the agreement. This can prevent potential misunderstandings and ensure smoother grant management moving forward. We suggest drafting a brief amendment request outlining the specific wording you would like revised, along with a short justification for the change. Additionally, the entity should implement policies and procedures that require a timely and formal documented review of all cost allocation calculations prior to submission, ideally performed by an employee in a supervisory position other than the preparer. These steps will help to strengthen internal controls and promote compliance with grant requirements.

- 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, 2025**

**NONE**