

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

(LSC RECIPIENT NO. 339060)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2011 AND 2010



**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Neighborhood Legal Services Association
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of Neighborhood Legal Services Association (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Legal Services Corporation (LSC) "Audit Guide for Recipients and Auditors," as revised November 1997; LSC "Compliance Supplement for Audits of LSC Recipients" dated December 31, 1998; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Legal Services Association as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, on our consideration of Neighborhood Legal Services Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Neighborhood Legal Services Association

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the Office of Management and Budget Circular (OMB) A-133, Audits of States, Local Government and Non-Profit Organizations and funding source agreements, and is not a required part of the basic financial statements of Neighborhood Legal Services Association. The accompanying schedule of private attorney involvement expenditures related to Legal Services Corporation support and the schedule of support, revenue and expenses and changes in net assets for Legal Services Corporation Grants, Pennsylvania Legal Aid Network Grant and other funders are presented for purposes of additional analysis and are also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "J. Miller & Associates, LLC". The signature is written in black ink and is positioned above the printed name of the firm.

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
October 12, 2011

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash	\$ 1,169,582	\$ 1,095,043
Client Escrow Funds	14,616	16,753
Accounts Receivable		
Legal Services Corporation	761,645	797,325
Pennsylvania Legal Aid Network	202,215	371,776
Other	178,473	153,112
Promises to Give	23,272	8,163
Prepaid Expenses	193,386	103,310
Property and Equipment	<u>923,464</u>	<u>1,033,444</u>
 Total Assets	 <u>\$ 3,466,653</u>	 <u>\$ 3,578,926</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 187,707	\$ 112,231
Client Trust Deposits	14,616	16,753
Other Liabilities	4,133	4,247
Mortgage Note Payable	<u>80,129</u>	<u>116,223</u>
 Total Liabilities	 286,585	 249,454
 NET ASSETS		
Unrestricted	1,871,033	1,736,516
Temporarily Restricted		
Legal Services Corporation - grants	1,205,955	1,265,690
Legal Services Corporation - property	<u>103,080</u>	<u>165,175</u>
	1,309,035	1,430,865
Non-LSC	<u>-</u>	<u>162,091</u>
Total Temporarily Restricted	1,309,035	1,592,956
 Total Net Assets	 <u>3,180,068</u>	 <u>3,329,472</u>
 Total Liabilities and Net Assets	 <u>\$ 3,466,653</u>	 <u>\$ 3,578,926</u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011					2010				
	Temporarily Restricted				Total	Temporarily Restricted				Total
	Unrestricted	Legal Services Corporation	All Other	Total		Unrestricted	Legal Services Corporation	All Other	Total	
SUPPORT AND REVENUE										
Grants and Contracts	\$ 3,149,049	\$ 1,894,482	\$ -	\$ 1,894,482	\$ 5,043,531	\$ 2,978,085	\$ 1,853,586	\$ 91,957	\$ 1,945,543	\$ 4,923,628
Contributions										
In-Kind	1,736,603	-	-	-	1,736,603	1,567,190	-	-	-	1,567,190
Other	385,350	-	-	-	385,350	226,444	-	-	-	226,444
Interest	4,549	252	-	252	4,801	9,160	-	-	-	9,160
Other Income	72,267	12,178	-	12,178	84,445	20,118	11,210	-	11,210	31,328
Net Assets Released from Restrictions	2,190,833	(2,028,742)	(162,091)	(2,190,833)	-	2,130,617	(1,873,618)	(256,999)	(2,130,617)	-
Total Support and Revenue	<u>7,538,651</u>	<u>(121,830)</u>	<u>(162,091)</u>	<u>(283,921)</u>	<u>7,254,730</u>	<u>6,931,614</u>	<u>(8,822)</u>	<u>(165,042)</u>	<u>(173,864)</u>	<u>6,757,750</u>
EXPENSE										
Program Services	6,117,864	-	-	-	6,117,864	5,624,884	-	-	-	5,624,884
Management and General	1,174,294	-	-	-	1,174,294	1,134,175	-	-	-	1,134,175
Fundraising	111,976	-	-	-	111,976	94,817	-	-	-	94,817
Total Expense	<u>7,404,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,404,134</u>	<u>6,853,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,853,876</u>
Change in Net Assets	134,517	(121,830)	(162,091)	(283,921)	(149,404)	77,738	(8,822)	(165,042)	(173,864)	(96,126)
Net Assets - Beginning of Year	1,736,516	1,430,865	162,091	1,592,956	3,329,472	1,886,048	1,126,437	413,113	1,539,550	3,425,598
Reclassification of LSC TIG	-	-	-	-	-	-	85,980	(85,980)	-	-
Reclassification of LSC Property	-	-	-	-	-	(227,270)	227,270	-	227,270	-
						<u>1,658,778</u>	<u>1,439,687</u>	<u>327,133</u>	<u>1,766,820</u>	<u>3,425,598</u>
NET ASSETS - END OF YEAR	<u>\$ 1,871,033</u>	<u>\$ 1,309,035</u>	<u>\$ -</u>	<u>\$ 1,309,035</u>	<u>\$ 3,180,068</u>	<u>\$ 1,736,516</u>	<u>\$ 1,430,865</u>	<u>\$ 162,091</u>	<u>\$ 1,592,956</u>	<u>\$ 3,329,472</u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES								
Attorneys	\$ 1,532,955	\$ 476,694	\$ 8,462	\$ 2,018,111	\$ 1,429,049	\$ 468,993	\$ 5,581	\$ 1,903,623
Paralegals	256,368	-	-	256,368	234,788	-	-	234,788
Support Staff and Administration	646,291	199,871	-	846,162	642,439	210,092	-	852,531
Law Students	107,837	-	3,865	111,702	85,767	-	3,724	89,491
In-Kind Services	1,736,603	-	-	1,736,603	1,567,190	-	-	1,567,190
Employee Benefits	907,841	241,122	4,313	1,153,276	812,346	230,240	2,829	1,045,415
Total Personnel Expenses	<u>5,187,895</u>	<u>917,687</u>	<u>16,640</u>	<u>6,122,222</u>	<u>4,771,579</u>	<u>909,325</u>	<u>12,134</u>	<u>5,693,038</u>
OTHER EXPENSES								
Consultants and Contractors	208,122	81,454	68,585	358,161	112,569	52,725	62,869	228,163
Travel	87,856	24,417	373	112,646	82,412	20,855	177	103,444
Space Costs	123,493	32,800	220	156,513	126,624	35,888	150	162,662
Consumable Supplies	35,857	9,524	125	45,506	42,246	11,974	298	54,518
Equipment Rental & Maintenance	60,719	16,127	141	76,987	74,493	-	581	75,074
Other Expenses	269,732	64,608	23,253	357,593	266,098	76,347	18,131	360,576
Depreciation	144,190	27,677	2,639	174,506	148,863	27,061	477	176,401
Total Other Expenses	<u>929,969</u>	<u>256,607</u>	<u>95,336</u>	<u>1,281,912</u>	<u>853,305</u>	<u>224,850</u>	<u>82,683</u>	<u>1,160,838</u>
Total Expenses	<u><u>\$ 6,117,864</u></u>	<u><u>\$ 1,174,294</u></u>	<u><u>\$ 111,976</u></u>	<u><u>\$ 7,404,134</u></u>	<u><u>\$ 5,624,884</u></u>	<u><u>\$ 1,134,175</u></u>	<u><u>\$ 94,817</u></u>	<u><u>\$ 6,853,876</u></u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (149,404)	\$ (96,126)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and amortization	174,506	176,401
Loss on Disposal of Equipment	-	685
(Increase) Decrease in:		
Client Escrow Funds	2,137	(2,518)
Accounts Receivable	179,880	(198,283)
Promises to Give	(15,109)	5,581
Prepaid Expenses	(90,076)	39,974
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	75,476	(249,209)
Client Trust Deposits	(2,137)	2,518
Other Liabilities	(114)	(450)
Net Cash Used by Operating Activities	175,159	(321,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(64,526)	(56,425)
Net Cash Used by Investing Activities	(64,526)	(56,425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable and Capital Lease Obligations	(36,094)	(33,786)
Net Cash Used in Financing Activities	(36,094)	(33,786)
NET INCREASE/(DECREASE) IN CASH	74,539	(411,638)
Cash - Beginning of Year	1,095,043	1,506,681
CASH - END OF YEAR	\$ 1,169,582	\$ 1,095,043
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	\$ 8,389	\$ 9,560

See accompanying Notes to Financial Statements.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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 the 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). Funding for the contract is provided by the Commonwealth of Pennsylvania with Commonwealth and Federal Title XX funds, Pennsylvania Interest on Lawyers’ Trust Account Program (IOLTA), and Access to Justice Act 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.

Basis of Accounting

NLSA reports on the accrual basis of accounting and accordingly has reflected all significant receivables, payables, and other liabilities. The financial statements and notes also incorporate applicable provisions of the Legal Services Corporation, *Accounting Guide for LSC Recipients*, consistent with U.S. generally accepted accounting principles.

Financial Statement Presentation

NLSA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. NLSA has no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

NLSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant Support

NLSA recognizes grant funds from LSC and certain other funders when granted by the funder. Funds remaining unexpended at the end of an accounting period remain as temporarily restricted net assets.

In accordance with a 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.

Accounts Receivable

NLSA provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2011 and 2010, an allowance for doubtful accounts was not warranted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Promises to give at June 30, 2011 and 2010 of \$23,272 and \$8,163 are all due within one year.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

NLSA follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. 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.

In-Kind Contributions

In-kind contributions are recorded at fair value at the time of receipt. These contributions are recognized as both support and expenses in the statement of activities. Only those contributed services that create or enhance non-financial assets, require skills and are provided by such individuals possessing these skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements.

In-kind contributed services totaled \$1,736,603 for the year ended June 30, 2011 and consisted of pro bono legal services provided attorneys and paralegals. The average rate used to determine the value of the pro bono legal services was \$190 and \$72 per hour for attorneys and paralegals, respectively, in 2011. For the year ended June 30, 2011, approximately 5,990.5 hours of pro bono legal services were provided by attorneys and approximately 8153.23 hours of pro bono legal services were provided by paralegals.

In-kind contributed services totaled \$1,567,190 for the year ended June 30, 2010 and consisted of pro bono legal services provided attorneys and paralegals. The average rate used to determine the value of the pro bono legal services was \$190 and \$72 per hour for attorneys and paralegals, respectively, in 2010. For the year ended June 30, 2010, approximately 6,338 hours of pro bono legal services were provided by attorneys and approximately 5,007 hours of pro bono legal services were provided by paralegals.

Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated between LSC and such other funding sources as agreed by these funding organizations or, in the absence of an agreement, on the basis which appears most reasonable to NLSA. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Using employee time records, certain costs have been allocated among programs, management and general, and fundraising.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of LSC Property Net Assets

In the 2010 Edition of the *Accounting Guide for LSC Recipients*, LSC specifies that the LSC property net assets be included with temporarily restricted net assets. Therefore, the beginning balance of the LSC property net assets was reclassified as of July 1, 2009 as shown on the statement of activities.

Income Taxes

NLSA is exempt from income tax as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in these financial statements. NLSA adopted the income tax standard for uncertain tax positions on July 1, 2009. The implementation of the standard had no effect on the net assets of NLSA. Should the tax-exempt status be challenged in the future, NLSA's 2008, 2009 and 2010 tax years are open for examination by the IRS.

Subsequent Events

In preparing these financial statements, NLSA has evaluated events and transactions for potential recognition or disclosure through October 12, 2011, the date the financial statements were available to be issued.

NOTE 2 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.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2011 and 2010:

	2011	2010
Buildings and Improvements	\$ 1,209,905	\$ 1,221,668
Furniture and Equipment	906,801	830,512
Total	2,116,706	2,052,180
Less: Accumulated Depreciation	(1,193,242)	(1,018,736)
Total Property and Equipment	\$ 923,464	\$ 1,033,444

NOTE 4 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, 2011 and 2010. The line renews annually in March.

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 MORTGAGE PAYABLE

Mortgage payable consists of the following as of June 30, 2011 and 2010:

	2011	2010
Mortgage Note secured by a building and requires monthly payments of \$3,707, including interest at 7.7% through June 2013	\$ 80,129	\$ 116,223
Less Current Maturities	(39,786)	(37,237)
Total Mortgage Payable, less Current Maturities	\$ 40,343	\$ 78,986

Interest expense was \$8,389 and \$9,560 for the years ended June 30, 2010 and 2009, respectively.

Future minimum payments under the mortgage note payable consist of the following as of June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 39,786
2013	39,200
Total	\$ 78,986

NOTE 6 COMMITMENTS AND CONTINGENCIES

Operating Leases

NLSA presently leases office facilities at various locations in the counties in serves. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year, however, certain of these leases are cancelable without penalty in the event NLSA is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2011 and 2010 were \$59,333 and \$57,565, respectively. As of June 30, 2011, future minimum lease payments under non-cancellable leases are as follows:

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Year Ending June 30,	Amount
2012	\$ 29,892
2013	28,180
2014	14,298
Total	\$ 72,370

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 year ended June 30, 2011, NLSA was able to document \$234,405 in of expenses relating to this requirement. See page 17.

Other

Grants received are subject to audit and adjustment by grantor agencies, principally Legal Services Corporation and Pennsylvania Legal Aid Network. 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.

NOTE 7 RETIREMENT PLANS

NLSA has a noncontributory 403(b) covering all permanent employees. Employees may elect to contribute a portion of their salary on a tax-deferred basis (up to statutory limits) into the plan.

NLSA also maintains a separate defined contribution tax-deferred annuity plan available to eligible employees. Employer contributions to the plan totaled \$50,623 and \$100,520 for the years ended June 30, 2011 and 2010, respectively.

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 8 NET ASSETS

At June 30, 2011, net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Board Designated		
Operating Reserve	\$ 375,000	\$ 375,000
Building Reserve	247,500	247,500
Property and Equipment - non LSC	740,255	752,046
Undesignated		
General	508,278	361,970
	<u>\$ 1,871,033</u>	<u>\$ 1,736,516</u>
Temporarily Restricted Net Assets:		
Restricted as to Purpose:		
Legal Services Corporation	\$ 262,734	\$ 282,917
Legal Services Corporation - Property	103,080	165,175
Legal Services Corporation - TIG	25,980	25,980
IOLTA	-	19,349
Access to Justice	-	31,957
Special IOLTA Helpline	-	110,785
Total Purpose Restrictions	<u>391,794</u>	<u>636,163</u>
Restricted as to Time:		
Legal Services Corporation	917,241	956,793
Total Time Restrictions	<u>917,241</u>	<u>956,793</u>
Total Temporarily Restricted	<u>\$ 1,309,035</u>	<u>\$ 1,592,956</u>

LSC allows for a carryover of funds equal to or less than 10% of the grant funds for the year. NLSA exceeds this amount and has requested a waiver for \$75,331.

Carryover of Funds at June 30, 2011 \$ 262,734

Grants Funds for the Fiscal Year Ended June 30, 2011:

Grant for July 1, 2010 through December 31, 2010	956,790	
Grant for January 1, 2011 through June 30, 2011	<u>917,244</u>	
Grant for July 1, 2010 through June 30, 2011	1,874,034	
	<u>x 10%</u>	
Less Allowable Carryover		<u>187,403</u>
Waiver Requested		<u>\$ 75,331</u>

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 CONCENTRATIONS AND CONTINGENCIES

PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth of Pennsylvania and the federal government. The LSC and PLAN grants were approximately 36% and 50%, respectively, of total revenue and support (excluding in-kind contributions) for the year ended June 30, 2011 and 37% and 49%, respectively, of total revenue and support (excluding in-kind contributions) for the year ended June 30, 2010.

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 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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>Legal Services Corporation</u>		
Basic Field Grant	09.339060	\$ 1,906,647
TIG	09.339060	60,000
<u>U.S. Department of Health and Human Services</u>		
Pass-through Pennsylvania Legal Aid Network Title XX Social Services Block Grant	93.667	552,788
TANF Cluster:		
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families	93.714	130,301
Temporary Assistance for Needy Families	93.558	32,575
Total TANF Cluster		162,876
Pass-through Commonwealth of Pennsylvania Department of Health Beaver County Children and Youth Services	93.658	60,000
Pass-through Pennsylvania Department of Aging Special Program for the Aging Title III, Part B	93.044	134,500
Pass-through Pennsylvania Department of Community and Economic Development:		
Allegheny County Community Services Block Grant	93.569	47,000
Beaver County Community Services Block Grant	93.569	33,334
Total CFDA 93.569		80,334
Total U.S. Department of Health and Human Services		990,498
<u>U.S. Congress</u>		
NeighborWorks America:		
Pass-through Pennsylvania Housing Finance Agency Pass-through Pennsylvania Legal Aid Network National Foreclosure Mitigation Counseling Program	21.000	40,300
Total U.S. Congress		40,300
<u>U.S. Department of Housing and Urban Development</u>		
Pass-through City of Pennsylvania Legal Aid Network Homelessness Prevention and Rapid Recovery Program	14.262	16,750
Pass-through City of Pittsburgh Homelessness Prevention and Rapid Recovery Program	14.262	20,018
Pass-through Pennsylvania Department of Community and Economic Development		
Beaver County:		
Homelessness Prevention and Rapid Recovery Program	14.262	14,623
Total CFDA 14.262		51,391
Total U.S. Department of Housing and Urban Development		51,391
Total Federal Expenditures		\$ 2,988,836

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, 2011**

NOTE 1 GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal awards 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.

NOTE 2 BASIS OF ACCOUNTING, EXPENDITURES

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified accrual basis of accounting.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures are reported on the statement of functional expenditures as program costs. The expenditures reported in the basic financial statements may differ from the expenditures reported on the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations, which are not included as federal financial assistance.

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT EXPENDITURES
RELATED TO LSC SUPPORT
YEAR ENDED JUNE 30, 2011**

Private Attorney Involvement Requirements

Recipient #339060	<u>\$ 1,874,034</u>	
Private Attorney Involvement Requirement		<u>\$ 234,254</u>

Actual Private Attorney Involvement Expenses

Salaries:		
Attorneys	\$ 43,599	
Other Staff	<u>114,134</u>	
Total Salaries	157,733	
Fringe Benefits	42,248	
Other Non-Personnel Costs	<u>34,424</u>	
Total Private Attorney Involvement Expenses		<u>234,405</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u><u>\$ 151</u></u>

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
FOR LEGAL SERVICES CORPORATION GRANTS
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	General	PAI	Technology Initiative Grants	Sub- Total	Property	2011 Total	2010 Total
SUPPORT AND REVENUE							
Grants and Contracts	\$ 1,600,077	\$ 234,405	\$ 60,000	\$ 1,894,482	\$ -	\$ 1,894,482	\$ 1,853,586
Interest Income	252	-	-	252	-	252	-
Other Income	12,178	-	-	12,178	-	12,178	11,210
Total Support and Revenue	1,612,507	234,405	60,000	1,906,912	-	1,906,912	1,864,796
SALARIES							
Attorneys	586,595	43,599	-	630,194	-	630,194	604,454
Paralegal	73,181	49,420	-	122,601	-	122,601	122,890
Support Staff	278,562	64,714	-	343,276	-	343,276	337,480
Law Students	42,488	-	-	42,488	-	42,488	34,480
Total Salaries	980,826	157,733	-	1,138,559	-	1,138,559	1,099,304
FRINGE BENEFITS							
Payroll Taxes	78,923	12,066	-	90,989	-	90,989	89,916
Unemployment Compensation	13,234	1,608	-	14,842	-	14,842	13,440
Worker's Compensation	2,693	325	-	3,018	-	3,018	1,118
Health and Dental Insurance	252,260	26,135	-	278,395	-	278,395	233,748
Life, Accident, and Disability	16,482	2,114	-	18,596	-	18,596	20,205
Retirement	18,790	-	-	18,790	-	18,790	37,819
Total Fringe Benefits	382,382	42,248	-	424,630	-	424,630	396,246
CONSULTANTS AND CONTRACTORS							
Consultants	51,537	13,577	60,000	125,114	-	125,114	44,186
Auditing	7,689	1,071	-	8,760	-	8,760	6,901
Total Consultants and Contractors	59,226	14,648	60,000	133,874	-	133,874	51,087
TRAVEL							
Employee Travel - Local	13,617	1,646	-	15,263	-	15,263	15,691
Employee Travel - Out of Town	16,149	-	-	16,149	-	16,149	14,608
Travel - Training	3,737	-	-	3,737	-	3,737	2,962
Travel - Board	4,379	-	-	4,379	-	4,379	3,525
Total Travel	37,882	1,646	-	39,528	-	39,528	36,786

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
FOR LEGAL SERVICES CORPORATION GRANTS (CONTINUED)
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	General	PAI	Technology Initiative Grants	Sub-Total	Property	2011 Total	2010 Total
SPACE COSTS							
Rent	21,665	-	-	21,665	-	21,665	20,378
Utilities	12,448	1,442	-	13,890	-	13,890	13,248
Maintenance Services	16,420	1,917	-	18,337	-	18,337	19,984
Other Space Costs	4,931	-	-	4,931	-	4,931	6,522
Total Space Costs	55,464	3,359	-	58,823	-	58,823	60,132
CONSUMABLE SUPPLIES							
Office Supplies	11,010	1,380	-	12,390	-	12,390	11,234
Minor Office Accessories	4,042	-	-	4,042	-	4,042	7,843
Janitorial Supplies	721	-	-	721	-	721	573
Total Consumable Supplies	15,773	1,380	-	17,153	-	17,153	19,650
EQUIPMENT RENTAL AND MAINTENANCE							
Equipment Leased	15,335	1,559	-	16,894	-	16,894	15,680
Repairs and Maintenance	13,403	1,560	-	14,963	-	14,963	15,014
Total Equipment Rental and Maintenance	28,738	3,119	-	31,857	-	31,857	30,694
OTHER EXPENSES							
Insurance and Bonding	12,857	1,526	-	14,383	-	14,383	13,289
Printing	14,432	2,273	-	16,705	-	16,705	6,800
Dues	-	-	-	-	-	-	-
Law Library	27,209	-	-	27,209	-	27,209	26,980
Telephone	28,550	3,352	-	31,902	-	31,902	37,238
Court Costs	14,145	1,551	-	15,696	-	15,696	12,639
Postage and Freight	8,007	1,182	-	9,189	-	9,189	10,177
Advertising	2,629	388	-	3,017	-	3,017	4,415
Other Costs	4,122	-	-	4,122	-	4,122	6,086
Interest Expense	-	-	-	-	-	-	-
Total Other Expenses	111,951	10,272	-	122,223	-	122,223	117,624
Depreciation and Amortization	-	-	-	-	62,095	62,095	62,095
Total Expenses	1,672,242	234,405	60,000	1,966,647	62,095	2,028,742	1,873,618
SUPPORT AND REVENUE (UNDER)							
OVER EXPENSES	(59,735)	-	-	(59,735)	(62,095)	(121,830)	(8,822)
OTHER CHANGES IN NET ASSETS							
Acquisition of Property	-	-	-	-	-	-	-
Net Assets, Beginning of Year	1,239,710	-	25,980	1,265,690	165,175	1,430,865	1,439,687
NET ASSETS, END OF YEAR	\$ 1,179,975	\$ -	\$ 25,980	\$ 1,283,055	\$ 103,080	\$ 1,309,035	\$ 1,430,865

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
BY FUNDING SOURCE
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

Pennsylvania Legal Aid Network

	Federal Title XX	Access to Justice Act	State	DAP	ARRA	IOLTA	PHFA	Employment Project	DCED	Total	IOLTA Helpline	Legal Services Corporation	All Other	2011 Total	2010 Total
SUPPORT AND REVENUE															
Grants and Contracts	\$ 552,788	\$ 1,187,330	\$ 329,440	\$ 103,946	\$ 162,876	\$ 193,520	\$ 40,300	\$ 7,523	\$ 41,307	\$ 2,619,030	\$ 60,000	\$ 1,894,482	\$ 470,019	\$ 5,043,531	\$ 4,923,628
In-Kind Contributions	-	-	-	-	-	-	-	-	-	-	-	-	1,736,603	1,736,603	1,567,190
Other Contributions	-	-	-	-	-	-	-	-	-	-	-	-	385,350	385,350	226,444
Interest Income	-	625	-	-	-	74	-	-	-	699	-	252	3,850	4,801	9,160
Other Income	-	5,220	-	-	-	-	-	-	-	5,220	-	12,178	67,047	84,445	31,328
Total Support and Revenue	552,788	1,193,175	329,440	103,946	162,876	193,594	40,300	7,523	41,307	2,624,949	60,000	1,906,912	2,662,869	7,254,730	6,757,750
SALARIES															
Attorneys	194,325	459,230	116,878	37,399	57,478	70,351	17,622	1,735	10,959	965,977	34,080	630,194	387,860	2,018,111	1,903,623
Contributed Services	-	-	-	-	-	-	-	-	-	-	-	-	1,736,603	1,736,603	1,567,190
Paralegal	20,785	52,171	11,639	2,987	8,099	6,689	82	-	3,877	106,329	609	122,601	26,829	256,368	234,788
Support Staff	90,753	214,896	54,230	17,040	25,558	31,739	9,306	7	5,954	449,483	7,197	343,276	46,206	846,162	852,531
Law Students	13,842	32,777	8,271	2,599	-	4,841	-	-	-	62,330	2,464	42,488	4,420	111,702	89,491
Total Salaries	319,705	759,074	191,018	60,025	91,135	113,620	27,010	1,742	20,790	1,584,119	44,350	1,138,559	2,201,918	4,968,946	4,647,623
FRINGE BENEFITS															
Payroll Taxes	25,712	60,884	15,364	4,828	7,259	8,992	2,067	194	1,591	126,891	3,393	90,989	21,125	242,398	231,097
Unemployment Compensation	4,312	10,210	2,576	810	244	1,508	433	31	257	20,381	539	14,842	3,568	39,330	35,722
Worker's Compensation	877	2,077	524	165	-	307	87	6	52	4,095	109	3,018	716	7,938	2,970
Health and Dental Insurance	82,184	194,605	49,110	15,432	25,153	28,742	5,468	614	4,966	406,274	7,861	278,395	68,761	761,291	621,400
Life, Accident, and Disability	5,369	12,715	3,209	1,008	2,085	1,878	568	41	337	27,210	708	18,596	5,182	51,696	53,706
Retirement	6,121	14,495	3,658	1,149	110	2,141	557	40	330	28,601	702	18,790	2,530	50,623	100,520
Total Fringe Benefits	124,575	294,986	74,441	23,392	34,851	43,568	9,180	926	7,533	613,452	13,312	424,630	101,882	1,153,276	1,045,415
CONSULTANTS AND CONTRACTORS															
Consultants	18,527	39,805	10,297	3,642	15,437	23,564	-	265	7,000	118,537	-	125,114	88,332	331,983	207,342
Auditing	2,764	5,939	1,536	543	-	3,516	288	21	69	14,676	-	8,760	2,742	26,178	20,821
Total Consultants & Contractors	21,291	45,744	11,833	4,185	15,437	27,080	288	286	7,069	133,213	-	133,874	91,074	358,161	228,163
TRAVEL															
Employee Travel - Local	4,436	10,505	2,651	833	915	1,551	-	32	262	21,185	-	15,263	3,806	40,254	43,988
Employee Travel - Out of Town	5,261	12,458	3,144	988	5,079	1,840	-	-	-	28,770	-	16,149	3,035	47,954	40,829
Travel - Training	1,218	2,883	728	229	2,077	426	-	10	33	7,604	-	3,737	1,366	12,707	8,697
Travel - Board	1,426	3,378	852	268	187	499	129	9	31	6,779	-	4,379	573	11,731	9,930
Total Travel	12,341	29,224	7,375	2,318	8,258	4,316	129	51	326	64,338	-	39,528	8,780	112,646	103,444
SPACE COSTS															

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
BY FUNDING SOURCE (CONTINUED)
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

Pennsylvania Legal Aid Network

	Federal Title XX	Access to Justice Act	State	DAP	ARRA	IOLTA	PHFA	Employment Project	DCED	Total	IOLTA Helpline	Legal Services Corporation	All Other	2011 Total	2010 Total
Rent	7,058	16,713	4,218	1,325	1,824	2,468	653	47	156	34,462	-	21,665	3,206	59,333	57,565
Utilities	4,055	9,603	2,423	761	913	1,418	388	28	93	19,682	-	13,890	3,565	37,137	34,382
Maintenance Services	5,349	12,667	3,197	1,004	1,480	1,871	515	37	124	26,244	-	18,337	2,282	46,863	51,863
Other Space Costs	1,607	3,804	960	302	420	562	-	11	-	7,666	-	4,931	583	13,180	17,605
Leasehold Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	0	1,247
Total Space Costs	18,069	42,787	10,798	3,392	4,637	6,319	1,556	123	373	88,054	-	58,823	9,636	156,513	162,662
CONSUMABLE SUPPLIES															
Office Supplies	3,587	8,493	2,376	673	796	1,254	371	27	89	17,666	-	12,390	3,694	33,750	29,443
Minor Office Accessories	1,317	3,118	554	247	4	461	117	-	-	5,818	-	4,042	-	9,860	23,459
Janitorial Supplies	235	556	140	44	6	82	21	-	-	1,084	-	721	91	1,896	1,616
Total Consumable Supplies	5,139	12,167	3,070	964	806	1,797	509	27	89	24,568	-	17,153	3,785	45,506	54,518
EQUIPMENT RENTAL AND MAINTENANCE															
Equipment Leased	5,069	10,942	3,021	953	1,052	-	-	-	-	21,037	-	16,894	177	38,108	35,871
Equipment Purchased	-	-	-	-	-	-	-	-	-	-	-	-	734	734	-
Repairs and Maintenance	4,366	10,340	2,609	820	1,473	1,527	-	-	-	21,135	-	14,963	2,047	38,145	39,203
Total Equipment Rental and Maintenance	9,435	21,282	5,630	1,773	2,525	1,527	-	-	-	42,172	-	31,857	2,958	76,987	75,074
OTHER EXPENSES															
Insurance and Bonding	4,189	9,919	2,503	786	1,545	1,465	410	30	98	20,945	-	14,383	1,990	37,318	34,489
Printing	4,702	11,133	2,810	883	-	1,644	-	-	147	21,319	1,260	16,705	14,425	53,709	26,767
Dues	5,767	12,447	3,437	1,084	-	2,019	-	-	-	24,754	-	-	1	24,755	22,020
Law Library	8,864	20,991	5,297	1,664	1,832	3,100	-	-	-	41,748	-	27,209	3,676	72,633	75,331
Telephone	9,294	21,910	5,600	1,710	1,544	3,195	902	66	216	44,437	1,078	31,902	4,557	81,974	98,980
Court Costs	4,608	10,912	2,754	865	-	1,611	-	-	-	20,750	-	15,696	1,473	37,919	32,804
Postage and Freight	2,609	6,177	1,559	490	37	912	316	22	-	12,122	-	9,189	7,588	28,899	33,004
Advertising	856	2,028	512	161	-	300	-	-	-	3,857	-	3,017	2,607	9,481	14,970
Other Costs	1,344	3,179	803	254	269	470	-	-	-	6,319	-	4,122	464	10,905	22,211
Total Other Expenses	42,233	98,696	25,275	7,897	5,227	14,716	1,628	118	461	196,251	2,338	122,223	36,781	357,593	360,576
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	-	-	62,095	112,411	174,506	176,401
Total Expenses	552,788	1,303,960	329,440	103,946	162,876	212,943	40,300	3,273	36,641	2,746,167	60,000	2,028,742	2,569,225	7,404,134	6,853,876
SUPPORT AND REVENUE (UNDER)															
OVER EXPENSES	-	(110,785)	-	-	-	(19,349)	-	4,250	4,666	(121,218)	-	(121,830)	93,644	(149,404)	(96,126)
Net Assets, Beginning of Year	-	110,785	-	-	31,957	19,349	-	-	-	162,091	-	1,430,865	1,736,516	3,329,472	3,425,598
Transfer to Unrestricted	-	-	-	-	(31,957)	-	-	(4,250)	(4,666)	(40,873)	-	-	40,873	-	-
NET ASSETS, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,309,035	\$ 1,830,160	\$ 3,180,068	\$ 3,329,472



**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
Pittsburgh, Pennsylvania

We have audited the financial statements of Neighborhood Legal Services Association as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards; Legal Services Corporation (LSC) “Audit Guide for Recipients and Auditors,” as revised November 1997; LSC “Compliance Supplement for Audits of LSC Recipients” dated December 31, 1998; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Neighborhood Legal Services Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Neighborhood Legal Services Association’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Legal Services Association’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Legal Services Association’s internal control over financial reporting.

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 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. .

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Neighborhood legal Services Association in a separate letter dated October 12, 2011.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "J. Miller & Associates, LLC". The signature is written in a cursive, flowing style.

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
October 12, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Neighborhood Legal Services Association
Pittsburgh, Pennsylvania

Compliance

We have audited Neighborhood Legal Services Association's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the LSC "*Compliance Supplement for Audits of LSC Recipients*" dated December 31, 1998, that could have a direct and material effect on each of Neighborhood Legal Service Association's major federal programs for the year ended June 30, 2011. Neighborhood Legal Services Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Neighborhood Legal Services Association's management. Our responsibility is to express an opinion on Neighborhood Legal Services Association's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Legal Services Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Neighborhood Legal Services Association's compliance with those requirements.

In our opinion, Neighborhood Legal Services Association complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Neighborhood Legal Services Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Neighborhood Legal Services Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Legal Services Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness 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.

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

This report is intended solely for the information and use of the management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "J. Miller & Associates, LLC".

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
October 12, 2011

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiencies identified?	No
Type of auditor’s report issued on compliance for major programs.	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

09.339141 Legal Services Corporation
93.667 Title XX Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

None