

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

Financial Statements and  
Supplementary Information

Years Ended June 30, 2019 and 2018  
with Independent Auditor's Reports

**MaherDuessel**  
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Pittsburgh | Harrisburg | Butler

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# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

YEARS ENDED JUNE 30, 2019 AND 2018

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YEARS ENDED JUNE 30, 2019 AND 2018

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## Independent Auditor's Report

**The Board of Directors  
Neighborhood Legal  
Services Association**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Neighborhood Legal Services Association (NLSA), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NLSA as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, NLSA adopted Accounting Standards Update 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes how a nonprofit organization classifies net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 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 8, 2019

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2019 AND 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 1,516,197	\$ 1,663,212
Client escrow funds	5,967	14,788
Contracts and grants receivable:		
Pennsylvania Legal Aid Network	84,261	88,660
Other	343,534	111,648
Prepaid expenses	45,806	90,791
Property and equipment	451,222	498,722
<b>Total Assets</b>	<b>\$ 2,446,987</b>	<b>\$ 2,467,821</b>
<hr/>		
<b>Liabilities and Net Assets</b>		
<hr/>		
Liabilities:		
Accounts payable and accrued expenses	\$ 33,695	\$ 103,276
Client trust deposits	5,967	14,788
Other liabilities	3,928	3,669
<b>Total Liabilities</b>	<b>43,590</b>	<b>121,733</b>
Net Assets:		
Without donor restrictions	1,971,585	1,791,854
With donor restrictions:		
Legal Services Corporation	266,725	406,931
All other	165,087	147,303
<b>Total with donor restrictions</b>	<b>431,812</b>	<b>554,234</b>
<b>Total Net Assets</b>	<b>2,403,397</b>	<b>2,346,088</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,446,987</b>	<b>\$ 2,467,821</b>

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	All Other	Total	
<b>Revenues and Other Support:</b>					
Grants and contracts	\$2,068,626	\$1,457,032	\$1,614,699	\$3,071,731	\$5,140,357
Contributions:					
In-kind	792,411	-	-	-	792,411
Other	313,067	-	-	-	313,067
Interest income	1,187	123	2,413	2,536	3,723
Other income	44,440	-	-	-	44,440
Net assets released from restrictions	3,196,689	(1,597,361)	(1,599,328)	(3,196,689)	-
Total revenues and other support	6,416,420	(140,206)	17,784	(122,422)	6,293,998
<b>Expenses:</b>					
Program services	5,830,695	-	-	-	5,830,695
Management and general	358,245	-	-	-	358,245
Fundraising	47,749	-	-	-	47,749
Total expenses	6,236,689	-	-	-	6,236,689
<b>Change in Net Assets</b>	179,731	(140,206)	17,784	(122,422)	57,309
<b>Net Assets:</b>					
Beginning of year	1,791,854	406,931	147,303	554,234	2,346,088
End of year	\$1,971,585	\$ 266,725	\$ 165,087	\$ 431,812	\$2,403,397

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	All Other	Total	
<b>Revenues and Other Support:</b>					
Grants and contracts	\$1,533,571	\$1,426,868	\$1,424,187	\$2,851,055	\$4,384,626
Contributions:					
In-kind	815,245	-	-	-	815,245
Other	422,441	-	-	-	422,441
Interest income	1,187	92	2,131	2,223	3,410
Other income	21,647	-	-	-	21,647
Net assets released from restrictions	2,645,610	(1,282,888)	(1,362,722)	(2,645,610)	-
Total revenues and other support	5,439,701	144,072	63,596	207,668	5,647,369
<b>Expenses:</b>					
Program services	4,851,537	-	-	-	4,851,537
Management and general	272,629	-	-	-	272,629
Fundraising	104,873	-	-	-	104,873
Total expenses	5,229,039	-	-	-	5,229,039
<b>Change in Net Assets</b>	210,662	144,072	63,596	207,668	418,330
<b>Net Assets:</b>					
Beginning of year	1,581,192	262,859	83,707	346,566	1,927,758
End of year	\$1,791,854	\$ 406,931	\$ 147,303	\$ 554,234	\$2,346,088

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fund- raising	Total
<b>Personnel Expenses:</b>				
Attorneys	\$ 2,136,009	\$ 149,317	\$ 4,587	\$ 2,289,913
Paralegals	168,531		-	168,531
Support staff and administration	732,394	46,614	1,762	780,770
Law students	95,095	-	-	95,095
In-kind services	792,411	-	-	792,411
Employee benefits	1,107,484	70,898	2,180	1,180,562
Total personnel expenses	<u>5,031,924</u>	<u>266,829</u>	<u>8,529</u>	<u>5,307,282</u>
<b>Other Expenses:</b>				
Consultants and contractors	227,839	21,626	30,053	279,518
Travel	66,339	8,072	13	74,424
Space costs	150,152	9,612	271	160,035
Consumable supplies	70,867	4,537	187	75,591
Equipment rental and maintenance	50,730	3,248	-	53,978
Other expenses	188,928	41,159	8,274	238,361
Depreciation	43,916	3,162	422	47,500
Total other expenses	<u>798,771</u>	<u>91,416</u>	<u>39,220</u>	<u>929,407</u>
Total expenses	<u>\$ 5,830,695</u>	<u>\$ 358,245</u>	<u>\$ 47,749</u>	<u>\$ 6,236,689</u>

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fund- raising	Total
<b>Personnel Expenses:</b>				
Attorneys	\$ 1,693,986	\$ 100,961	\$ 1,721	\$ 1,796,668
Paralegals	85,698	-	-	85,698
Support staff and administration	785,270	43,436	1,655	830,361
Law students	55,597	-	-	55,597
In-kind services	815,245	-	-	815,245
Employee benefits	842,479	47,462	1,039	890,980
Total personnel expenses	<u>4,278,275</u>	<u>191,859</u>	<u>4,415</u>	<u>4,474,549</u>
<b>Other Expenses:</b>				
Consultants and contractors	128,209	21,626	90,185	240,020
Travel	42,923	6,566	3	49,492
Space costs	115,502	6,507	132	122,141
Consumable supplies	29,108	1,640	16	30,764
Equipment rental and maintenance	57,915	623	-	58,538
Other expenses	153,886	40,708	8,918	203,512
Depreciation	45,719	3,100	1,204	50,023
Total other expenses	<u>573,262</u>	<u>80,770</u>	<u>100,458</u>	<u>754,490</u>
Total expenses	<u>\$ 4,851,537</u>	<u>\$ 272,629</u>	<u>\$ 104,873</u>	<u>\$ 5,229,039</u>

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 57,309	\$ 418,330
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	47,500	50,023
(Increase) decrease in:		
Client escrow funds	8,821	(9,110)
Accounts receivable	(227,487)	73,928
Promises to give	-	2,058
Prepaid expenses	44,985	(10,600)
Increase (decrease) in:		
Accounts payable and accrued expenses	(69,581)	60,761
Client trust deposits	(8,821)	9,110
Other liabilities	259	(165)
	<u>(147,015)</u>	<u>594,335</u>
Cash provided by (used in) operating activities		
	<u>(147,015)</u>	<u>594,335</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(147,015)</b>	<b>594,335</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>1,663,212</u>	<u>1,068,877</u>
End of year	<u>\$ 1,516,197</u>	<u>\$ 1,663,212</u>

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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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.

#### 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:

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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

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

### Cash and Cash Equivalents

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

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

### Contracts and Grants Receivable

Contracts and grants receivable, which include PLAN receivables, are for expenses incurred prior to the fiscal year-end for when funds have not yet been received from the funding agency. NLSA provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2019 and 2018, an allowance for doubtful accounts was not warranted.

### Contributions

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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### Property and Equipment

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

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

### Impairment

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

### 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 statements 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 included \$792,411 and \$815,245 for the years ended June 30, 2019 and 2018, respectively, of pro bono legal services provided by attorneys and paralegals. The average rate used to determine the value of the pro bono legal services was \$190 and \$72.50 per hour for attorneys and paralegals, respectively. For the years ended June 30, 2019 and 2018, approximately 3,488 and 4,038 hours of pro bono legal services were provided by attorneys, respectively, and approximately 1,790 and 663 hours of pro bono legal services were provided by paralegals, respectively.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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### 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.

### LSC Grant Support

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.

### Income Taxes

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

### Use of Estimates in the Preparation of Financial Statements

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

### Adopted Pronouncement

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) were adopted during the year ended June 30, 2019:

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for NLSA’s financial statements for the year ended June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

As a result of adoption, the unrestricted net assets as of July 1, 2017 were transferred to net assets without donor restrictions. In addition, the temporarily restricted net assets as of July 1, 2017 were transferred to net assets with donor restrictions. See Note 10 for the liquidity disclosure.

### Pending Standards Update

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for NLSA’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for NLSA’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statements of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for NLSA’s financial statements for the year ending June 30, 2020. This amendment provides guidance for revenue recognition related to contributions by clarifying (1) how to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) how to determine whether a contribution is conditional.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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Management has not yet determined the impact of these amendments on NLSA's financial statements.

### Subsequent Events

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

### **3. 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.

### **4. Property and Equipment**

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,352,905	\$ 1,352,905
Furniture and equipment	<u>864,394</u>	<u>864,394</u>
Total	2,217,299	2,217,299
Less: accumulated depreciation	<u>(1,766,077)</u>	<u>(1,718,577)</u>
Total property and equipment, net	<u>\$ 451,222</u>	<u>\$ 498,722</u>

### **5. 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, 2019 and 2018. The line renews annually in March.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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### 6. Commitments and Contingencies

#### Operating Leases

NLSA presently leases office facilities at various locations in the counties it serves. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, all of these leases are cancelable without penalty in the event NLSA is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2019 and 2018 was \$29,854 and \$22,811, respectively.

#### Private Attorney Involvement

As a recipient of LSC funding, NLSA is required to devote an amount of LSC funds equal to at least 12.5% of the basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. NLSA utilizes the organized pro bono method to meet the Private Attorney Involvement condition of their grant. For the years ended June 30, 2019 and 2018, NLSA was able to document \$184,545 and \$180,172, respectively, in expenses related to this requirement. See page 17 for Schedule of Private Attorney Involvement Expenditures Related to Legal Services Corporation Support.

To meet LSC compliance of 45 CFR 1614.3(e)(1)(i) when calculating wages and benefits for NLSA's attorneys and paralegals charged to PAI, NLSA calculated their hourly rates using scheduled work hours. Scheduled work hours are based upon an eight (8) hour workday five (5) days per week, or 40 hours, multiplied by the 52 weeks in a year, for a total of 2,080 hours.

#### Other

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

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

### 7. Net Assets

At June 30, 2019 and 2018, net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Board-designated:		
Operating reserve	\$ 375,000	\$ 375,000
Building reserve	247,500	247,500
Property and equipment	451,222	498,722
Undesignated	<u>897,863</u>	<u>670,632</u>
Total net assets without donor restrictions	<u>\$ 1,971,585</u>	<u>\$ 1,791,854</u>
Net assets with donor restrictions:		
LSC - carryover	\$ 145,829	\$ 283,574
LSC - property and equipment	-	1,203
LSC - advance funding	120,896	122,154
Employment Project	5,359	-
MLK	-	2,500
IOLTA CMLC	25,765	-
IOLTA mortgage foreclosure	11,432	11,432
AJA	122,531	122,531
Bank of America	-	5,840
The Pittsburgh Foundation	<u>-</u>	<u>5,000</u>
Total net assets with donor restrictions	<u>\$ 431,812</u>	<u>\$ 554,234</u>
Total Net Assets	<u>\$ 2,403,397</u>	<u>\$ 2,346,088</u>

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, 2019 and 2018, NLSA had an LSC carryover totaling \$145,829 and \$283,574, respectively (10.00% and 19.87% of fiscal year funding, respectively). No such waiver was required for the year ended June 30, 2019. NLSA requested a waiver to carry over funds in excess of the 10% ceiling for the year ended June 30, 2018.

IOLTA and Access to Justice Act funding also permit a 10% carryover of current funding to the next fiscal year and require recipients to record the carryover funds as temporarily restricted net assets. The recipient may request a written waiver to carry over up to 25% of these funds. NLSA requested a waiver to carry over funds in excess of the 10% ceiling for

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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the year ended June 30, 2019. No such waiver was required for the year ended June 30, 2018.

### 8. Retirement Plans

NLSA established a 403(b) tax-deferred annuity plan available to eligible employees. Per Memorandum of Agreement between NLSA and the union (which represent changes made to Collective Bargaining Agreement, effective January 1, 2013 through December 31, 2014), NLSA did not make matching retirement contributions on behalf of employees for the 2013 and 2014 calendar years. A new Memorandum of Agreement between NLSA and the union was signed effective January 1, 2016 through December 31, 2018, whereby matching retirement contributions were reinstated for calendar years 2018 and 2019. This agreement was extended effective January 1, 2019 through December 31, 2020. Employees may make additional contributions to the plan on a voluntary basis. Pension expense totaled \$56,562 and \$44,533 for the years ended June 30, 2019 and 2018.

### 9. Concentration of Credit Risk

#### Financial Instruments

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

#### Sources of Revenue

A significant amount of funding is received for continued operations of NLSA from PLAN and LSC. PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth and the federal government. The LSC grant was approximately 26.80 % of total revenue and other support for the year ended June 30, 2019. The PLAN grant (including IOLTA funding) was approximately 41.13% of total revenue and other support for the year ended June 30, 2019. Total revenue and other support used in these calculations do not include in-kind contributions.

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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### 10. Liquidity and Availability

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

As discussed in Note 5, NLSA maintains a secured line of credit to assist in meeting cash needs if they experience a lag between the receipt of grant funds and the payment of costs. This line of credit has never been used by NLSA as of June 30, 2019.

The following reflects NLSA's financial assets as of June 30, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 1,949,959	\$ 1,878,308
Board-designated	<u>(622,500)</u>	<u>(622,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 895,647</u>	<u>\$ 701,574</u>

## **SUPPLEMENTARY INFORMATION**

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

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

YEAR ENDED JUNE 30, 2019

### Private Attorney Involvement Requirement

Recipient #339060	<u>\$ 1,457,032</u>	
Private Attorney Involvement Requirement		<u>\$ 182,129</u>

### Actual Private Attorney Involvement Expenses

Salaries:		
Attorneys	16,212	
Other staff	<u>103,035</u>	
Total salaries	119,247	
Fringe benefits	43,233	
Other non-personnel costs	<u>22,065</u>	
Total Private Attorney Involvement Expenses		<u>184,545</u>
Excess of Private Attorney Involvement Expenses Over Requirement		<u><u>\$ 2,416</u></u>

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

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

YEAR ENDED JUNE 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Legal Services Corporation				Pennsylvania Legal Aid Network	IOLTA CMLC	Other	Totals	
	General Program	PAI	Prior Year Excess Carryover *	Total				2019	2018
<b>Revenues and Other Support:</b>									
Grants and contracts	\$ 1,272,487	\$ 184,545		\$ 1,457,032	\$ 2,235,777	\$ 72,600	\$ 1,374,948	\$ 5,140,357	\$ 4,384,626
In-kind contributions	-	-		-	-	-	792,411	792,411	815,245
Other contributions	-	-		-	-	-	313,067	313,067	422,441
Interest income	123	-		123	895	-	2,705	3,723	3,410
Other income	-	-		-	-	-	44,440	44,440	21,647
<b>Total revenues and other support</b>	<b>1,272,610</b>	<b>184,545</b>		<b>1,457,155</b>	<b>2,236,672</b>	<b>72,600</b>	<b>2,527,571</b>	<b>6,293,998</b>	<b>5,647,369</b>
<b>Expenses:</b>									
Salaries:									
Attorneys	557,002	16,212	60,229	633,443	949,872	25,602	680,996	2,289,913	1,796,668
In-kind services - pro bono	-	-	-	-	-	-	792,411	792,411	815,245
Paralegal	3,956	43,274	428	47,658	7,608	-	113,265	168,531	85,698
Support staff and administration	195,415	59,761	21,130	276,306	341,453	7,444	155,567	780,770	830,361
Law students	31,446	-	3,400	34,846	56,995	-	3,254	95,095	55,597
<b>Total salaries</b>	<b>787,819</b>	<b>119,247</b>	<b>85,187</b>	<b>992,253</b>	<b>1,355,928</b>	<b>33,046</b>	<b>1,745,493</b>	<b>4,126,720</b>	<b>3,583,569</b>
Employee benefits:									
Payroll taxes	65,645	10,059	7,099	82,803	115,193	2,795	70,919	271,710	225,060
Retirement plan	18,575	2,065	2,009	22,649	30,952	589	2,372	56,562	44,533
Hospitalization and dental insurance	186,359	29,319	20,147	235,825	326,382	8,365	232,676	803,248	577,310
Life, accident, and disability insurance	10,221	1,601	1,105	12,927	17,960	457	12,511	43,855	36,942
Workers' compensation	1,439	189	156	1,784	2,514	54	835	5,187	7,135
<b>Total employee benefits</b>	<b>282,239</b>	<b>43,233</b>	<b>30,516</b>	<b>355,988</b>	<b>493,001</b>	<b>12,260</b>	<b>319,313</b>	<b>1,180,562</b>	<b>890,980</b>
Consultants and contractors:									
Consultants	63,757	-	6,894	70,651	111,408	-	75,833	257,892	218,394
Auditing	5,055	789	547	6,391	8,881	225	6,129	21,626	21,626
<b>Total consultants and contractors</b>	<b>68,812</b>	<b>789</b>	<b>7,441</b>	<b>77,042</b>	<b>120,289</b>	<b>225</b>	<b>81,962</b>	<b>279,518</b>	<b>240,020</b>
Travel:									
Employee travel - local	5,676	886	614	7,176	9,972	253	6,881	24,282	18,619
Employee travel - out of town	9,375	653	1,014	11,042	16,249	-	1,021	28,312	22,199
Employee travel - Board	2,156	-	233	2,389	3,744	-	248	6,381	2,694
Travel - training	4,121	-	446	4,567	7,207	161	3,514	15,449	5,980
<b>Total travel</b>	<b>21,328</b>	<b>1,539</b>	<b>2,307</b>	<b>25,174</b>	<b>37,172</b>	<b>414</b>	<b>11,664</b>	<b>74,424</b>	<b>49,492</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, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

(Continued)

	Legal Services Corporation				Pennsylvania Legal Aid Network	IOLTA CMLC	Other	Totals	
	General Program	PAI	Prior Year Excess Carryover *	Total				2019	2018
<b>Space costs:</b>									
Rent and parking	9,203	1,090	995	11,288	16,021	-	2,545	29,854	22,811
Utilities	10,661	1,603	1,153	13,417	18,705	-	11,793	43,915	36,763
Maintenance and repairs	18,425	2,260	1,992	22,677	32,018	-	7,216	61,911	44,251
Other space costs	7,820	889	845	9,554	13,562	-	1,239	24,355	18,316
Total space costs	46,109	5,842	4,985	56,936	80,306	-	22,793	160,035	122,141
<b>Consumable supplies:</b>									
Office and computer supplies	3,613	562	391	4,566	6,347	-	4,479	15,392	11,391
Minor equipment purchases	10,690	2,138	1,156	13,984	18,982	-	25,613	58,579	17,950
Janitorial supplies	548	-	59	607	950	-	63	1,620	1,423
Total consumable supplies	14,851	2,700	1,606	19,157	26,279	-	30,155	75,591	30,764
<b>Equipment rental and maintenance:</b>									
Repairs and maintenance	-	291	-	291	2,825	-	4,849	7,965	11,684
Equipment rentals	-	-	-	-	15,091	-	30,922	46,013	46,854
Total equipment rental and maintenance	-	291	-	291	17,916	-	35,771	53,978	58,538
<b>Other expenses:</b>									
Insurance and bonding	10,371	1,368	1,121	12,860	18,114	390	6,106	37,470	37,370
Dues and memberships	-	-	-	-	21,786	-	3,052	24,838	20,593
Printing	5,295	4,779	573	10,647	9,297	-	4,599	24,543	14,500
Advertising	4,418	-	478	4,896	7,750	-	7,326	19,972	8,837
Law library and subscription	10,535	-	1,139	11,674	18,293	-	1,146	31,113	32,520
Telephone	10,911	1,751	1,180	13,842	19,177	500	14,450	47,969	52,303
Postage and freight	3,895	1,903	421	6,219	6,838	-	3,301	16,358	12,095
Court costs	5,314	1,103	574	6,991	9,451	-	13,838	30,280	21,760
Miscellaneous	1,971	-	217	2,188	3,415	-	215	5,818	3,534
Total other expenses	52,710	10,904	5,703	69,317	114,121	890	54,033	238,361	203,512
Depreciation	1,203	-	-	1,203	-	-	46,297	47,500	50,023
Total expenses	1,275,071	184,545	137,745	1,597,361	2,245,012	46,835	2,347,481	6,236,689	5,229,039
<b>Change in Net Assets</b>	(2,461)	-	(137,745)	(140,206)	(8,340)	25,765	180,090	57,309	418,330
<b>Net Assets:</b>									
Beginning of year	269,186	-	137,745	406,931	142,303	-	1,796,854	2,346,088	1,927,758
End of year	\$ 266,725	\$ -	\$ -	\$ 266,725	\$ 133,963	\$ 25,765	\$ 1,976,944	\$ 2,403,397	\$ 2,346,088
<b>Acquisition of Property</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, 2019

	Pennsylvania Legal Aid Network							Total
	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	IOLTA Bank of America	MLK and MLK Fellow	
<b>Revenues and Other Support:</b>								
Contracts and grants	\$ 407,135	\$ 1,343,642	\$ 196,262	\$ 103,490	\$ 185,248	\$ -	\$ -	\$ 2,235,777
Interest income	-	787	-	-	108	-	-	895
Total revenues and other support	<u>407,135</u>	<u>1,344,429</u>	<u>196,262</u>	<u>103,490</u>	<u>185,356</u>	<u>-</u>	<u>-</u>	<u>2,236,672</u>
<b>Expenses:</b>								
Salaries:								
Attorneys	169,884	569,008	82,203	45,740	79,411	3,626	-	949,872
Paralegal	1,664	4,176	930	49	789	-	-	7,608
Support staff and administration	62,483	204,490	30,001	15,109	28,316	1,054	-	341,453
Law students	10,057	32,911	4,829	2,141	4,557	-	2,500	56,995
Total salaries	<u>244,088</u>	<u>810,585</u>	<u>117,963</u>	<u>63,039</u>	<u>113,073</u>	<u>4,680</u>	<u>2,500</u>	<u>1,355,928</u>
Employee benefits:								
Payroll taxes	20,986	68,687	10,077	5,535	9,512	396	-	115,193
Retirement plan	5,949	19,455	2,855	-	2,693	-	-	30,952
Hospitalization and dental insurance	59,561	194,967	28,601	16,172	26,999	82	-	326,382
Life, accident, and disability insurance	3,267	10,694	1,569	884	1,481	65	-	17,960
Workers' compensation	460	1,506	221	110	209	8	-	2,514
Total employee benefits	<u>90,223</u>	<u>295,309</u>	<u>43,323</u>	<u>22,701</u>	<u>40,894</u>	<u>551</u>	<u>-</u>	<u>493,001</u>
Consultants and contractors:								
Consultants	20,383	66,712	9,787	5,288	9,238	-	-	111,408
Auditing	1,616	5,289	776	436	732	32	-	8,881
Total consultants and contractors	<u>21,999</u>	<u>72,001</u>	<u>10,563</u>	<u>5,724</u>	<u>9,970</u>	<u>32</u>	<u>-</u>	<u>120,289</u>
Travel:								
Employee travel - local	1,814	5,939	871	490	822	36	-	9,972
Employee travel - out of town	2,999	9,813	1,440	638	1,359	-	-	16,249
Travel - Board	690	2,257	331	145	312	9	-	3,744
Travel - training	1,318	4,312	633	324	597	23	-	7,207
Total travel	<u>6,821</u>	<u>22,321</u>	<u>3,275</u>	<u>1,597</u>	<u>3,090</u>	<u>68</u>	<u>-</u>	<u>37,172</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, 2019

(Continued)

Pennsylvania Legal Aid Network

	Federal Title XX	Access to Justice Act	State	DAP	IOLTA	IOLTA Bank of America	MLK and MLK Fellow	Total
Space costs:								
Rent and parking	2,943	9,631	1,413	656	1,334	44	-	16,021
Utilities	3,408	11,155	1,636	896	1,545	65	-	18,705
Maintenance and repairs	5,892	19,282	2,829	1,345	2,670	-	-	32,018
Other space costs	2,501	8,184	1,201	543	1,133	-	-	13,562
Total space costs	<u>14,744</u>	<u>48,252</u>	<u>7,079</u>	<u>3,440</u>	<u>6,682</u>	<u>109</u>	<u>-</u>	<u>80,306</u>
Consumable supplies:								
Office and computer supplies	1,155	3,780	555	311	523	23	-	6,347
Minor equipment purchases	3,415	11,182	1,640	1,110	1,549	86	-	18,982
Janitorial supplies	175	573	84	37	79	2	-	950
Total consumable supplies	<u>4,745</u>	<u>15,535</u>	<u>2,279</u>	<u>1,458</u>	<u>2,151</u>	<u>111</u>	<u>-</u>	<u>26,279</u>
Equipment rental and maintenance:								
Repairs and maintenance	564	1,861	272	116	-	12	-	2,825
Equipment rentals	3,014	9,952	1,453	672	-	-	-	15,091
Total equipment rental and maintenance	<u>3,578</u>	<u>11,813</u>	<u>1,725</u>	<u>788</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>17,916</u>
Other expenses:								
Insurance and bonding	3,316	10,853	1,592	795	1,503	55	-	18,114
Dues and memberships	4,082	13,477	1,968	363	1,859	37	-	21,786
Printing	1,692	5,540	813	485	767	-	-	9,297
Advertising	1,412	4,623	678	397	640	-	-	7,750
Law library and subscriptions	3,369	11,026	1,618	707	1,527	46	-	18,293
Telephone	3,492	11,397	1,671	965	1,581	71	-	19,177
Postage and freight	1,245	4,075	598	332	564	24	-	6,838
Court costs	1,697	5,557	815	568	770	44	-	9,451
Miscellaneous	632	2,065	302	131	285	-	-	3,415
Total other expenses	<u>20,937</u>	<u>68,613</u>	<u>10,055</u>	<u>4,743</u>	<u>9,496</u>	<u>277</u>	<u>-</u>	<u>114,121</u>
Depreciation	-	-	-	-	-	-	-	-
Total expenses	<u>407,135</u>	<u>1,344,429</u>	<u>196,262</u>	<u>103,490</u>	<u>185,356</u>	<u>5,840</u>	<u>2,500</u>	<u>2,245,012</u>
<b>Change in Net Assets</b>	-	-	-	-	-	(5,840)	(2,500)	(8,340)
<b>Net Assets:</b>								
Beginning of year	-	122,531	-	-	11,432	5,840	2,500	142,303
End of year	\$ -	\$ 122,531	\$ -	\$ -	\$ 11,432	\$ -	\$ -	\$ 133,963
<b>Acquisition of Property</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Amounts Provided to Subrecipients
<u>U.S. Congress</u>			
Legal Services Corporation Basic Field Grant	09.U01.339060	\$ 1,597,361	\$ -
Total U.S. Congress		<u>1,597,361</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Pennsylvania Legal Aid Network: Title XX Social Services Block Grant	93.667	407,135	-
Passed through Pennsylvania Department of Community and Economic Development: Passed through Beaver County: Community Services Block Grant	93.569	<u>26,690</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>433,825</u>	<u>-</u>
<u>U.S. Department of Justice</u>			
Passed through PA Commission on Crime and Delinquency: Crime Victim Assistance	16.575	<u>195,389</u>	<u>65,907</u>
Total U.S. Department of Justice		<u>195,389</u>	<u>65,907</u>
<u>Allegheny County Department of Human Services</u>			
Area on Aging Grant	93.041	<u>23,901</u>	<u>-</u>
Total Area on Aging		<u>23,901</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 2,250,476</u>	<u>\$ 65,907</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, 2019

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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 not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

The accompanying schedule is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

**Neighborhood Legal Services Association**

Independent Auditor's Reports  
Required by the Uniform Guidance

Year Ended June 30, 2019

**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***

**The 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, 2019, 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 [Date xx], 2019.

## **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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NLSA’s internal control. Accordingly, we do not express an opinion on the effectiveness of NLSA’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### 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 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*.

### Purpose of this Report

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

*Mahe Duessel*

Harrisburg, Pennsylvania  
October 8, 2019

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

**The Board of Directors  
Neighborhood Legal  
Services Association**

### **Report on Compliance for its Major Federal Program**

We have audited Neighborhood Legal Services Association’s (NLSA) compliance with the types of compliance requirements described 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 NLSA’s major federal program for the year ended June 30, 2019. NLSA’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### ***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for NLSA’s major federal program based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *LSC Compliance Supplement for Audits of LSC Recipients*. Those standards and the Uniform Guidance 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 NLSA’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 on compliance for its major federal program. However, our audit does not provide a legal determination of NLSA’s compliance.

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

***Opinion on its Major Federal Program***

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 its major federal program for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of NLSA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NLSA's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NLSA'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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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.

*Mahe Duessel*

Harrisburg, Pennsylvania  
October 8, 2019

# NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

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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:

CFDA Number(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

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

**No matters were reported.**

III. Findings and questioned costs for federal programs.

**No matters were reported.**

# **NEIGHBORHOOD LEGAL SERVICES ASSOCIATION**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2019**

**NONE**