

VIRGINIA POVERTY LAW CENTER, INC.

**Financial Statements
and
Accompanying Information
for years ended
June 30, 2023 and 2022**

Tax Exempt Providers of Legal Services Support

VIRGINIA POVERTY LAW CENTER, INC.

Contents

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
Accompanying Information	
Schedule of Support, Revenue and Expenses	11

Frank J. Barcalow CPA, P.L.L.C.

Independent Auditor's Report

The Board of Directors
Virginia Poverty Law Center, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Virginia Poverty Law Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Poverty Law Center, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Poverty Law Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Poverty Law Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Virginia Poverty Law Center, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Poverty Law Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of support, revenue and expenses are presented for purposes of additional analysis and are 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 as a whole.

Frank Barcalow CPA, P.L.L.C.

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
December 1, 2023

VIRGINIA POVERTY LAW CENTER, INC.

-3-

Statements of Financial Position June 30, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 110,410	\$ 268,589
Investments	1,768,914	1,886,908
Accounts receivable	444,889	246,355
Prepaid expenses	51,618	16,445
Total current assets	<u>2,375,831</u>	<u>2,418,297</u>
Property and equipment		
Furniture and equipment	193,047	176,439
Less accumulated depreciation	124,544	117,579
Total property and equipment, net	<u>68,503</u>	<u>58,860</u>
Other assets		
Right of use assets	1,011,441	-
Deposits	13,940	13,490
Total other assets	1,025,381	13,490
Total assets	<u>\$ 3,469,715</u>	<u>\$ 2,490,647</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 116,179	\$ 120,899
Accrued vacation	113,149	99,481
Unearned revenue	86,000	431,121
Total current liabilities	<u>315,328</u>	<u>651,501</u>
Lease liability	<u>1,022,332</u>	<u>-</u>

Commitments

Net assets, without donor restrictions	<u>2,132,055</u>	<u>1,839,146</u>
Total liabilities and net assets	<u>\$ 3,469,715</u>	<u>\$ 2,490,647</u>

See notes to financial statements.

VIRGINIA POVERTY LAW CENTER, INC.

-4-

Statements of Activities For the Years Ended June 30, 2023 and 2022

	2023	2022
	Without donor restrictions	Without donor restrictions
Support and revenue		
Grant income	\$ 5,593,855	\$ 3,792,257
Other income	208,484	619,723
Cy Pres Awards	189,631	-
Unrealized gain (loss) on investments	2,618	(355,265)
Realized gains (loss) on investments	94,378	25,532
Investment income	25,010	46,900
	<u>6,113,976</u>	<u>4,129,147</u>
Total support and revenue		
	<u>6,113,976</u>	<u>4,129,147</u>
Expenses		
Program Services		
Legal training and support	5,272,010	4,193,252
Supporting services		
Management and general	457,709	363,542
Fundraising expense	91,348	97,509
	<u>5,821,067</u>	<u>4,654,303</u>
Total expenses		
	<u>5,821,067</u>	<u>4,654,303</u>
Change in net assets	292,909	(525,156)
Net assets at beginning of year	<u>1,839,146</u>	<u>2,364,302</u>
Net assets at end of year	\$ <u><u>2,132,055</u></u>	\$ <u><u>1,839,146</u></u>

See notes to financial statements.

Statements of Functional Expenses
June 30, 2023 and 2022

For the Year ended June 30, 2023

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	\$ 3,109,312	\$ 392,451	\$ 65,559	\$ 3,567,322
Travel	104,371	1,055	-	105,426
Space cost	171,557	20,205	10,292	202,054
Consumable supplies	81,706	1,599	-	83,304
Purchase and maintenance of equipment	77,174	3,244	-	80,418
Training	175,987	-	-	175,987
Other direct costs	111,861	21,115	997	133,973
Professional services	241,428	17,495	14,500	273,423
Sub-grant expense	1,167,215	-	-	1,167,215
Website	12,611	-	-	12,611
Depreciation expense	18,789	545	-	19,334
Total expenses	\$ 5,272,010	\$ 457,709	\$ 91,348	\$ 5,821,067

For the Year ended June 30, 2022

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	\$ 2,404,337	\$ 241,544	\$ 95,858	\$ 2,741,739
Travel	32,429	-	-	32,429
Space cost	158,975	22,554	654	182,183
Consumable supplies	17,852	36,954	-	54,805
Purchase and maintenance of equipment	51,887	5,489	-	57,376
Training	1,643	-	-	1,643
Other direct costs	124,818	9,214	997	135,029
Professional services	323,582	16,030	-	339,612
Sub-grant expense	1,079,800	-	-	1,079,800
Website	11,817	-	-	11,817
Depreciation expense	17,745	125	-	17,870
Total expenses	\$ 4,224,884	\$ 331,910	\$ 97,509	\$ 4,654,303

See notes to financial statements.

**Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 292,909	\$ (525,156)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	19,334	17,870
Unrealized gain (loss) on investments	2,618	(355,265)
(Increase) decrease in accounts receivable	(198,534)	505,960
(Increase) decrease in prepaid expense	(35,173)	1,189
(Increase) decrease in right of use assets	(1,011,441)	-
Increase (decrease) in accounts payable	(4,720)	(272,003)
Increase (decrease) in accrued vacation	13,668	3,566
Increase (decrease) in lease liability	1,022,332	-
Increase (decrease) in unearned support	(345,121)	202,915
	<u>(244,128)</u>	<u>(420,924)</u>
Net cash provided by (used in) operations		
Cash flows used in (provided by) investing activities		
Purchase of equipment	(34,558)	(5,581)
Purchase of investments	(1,559,725)	(22,247)
Sale of investments	1,683,232	274,090
	<u>88,949</u>	<u>246,262</u>
Net cash provided (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(155,179)	(174,662)
Cash and cash equivalents at beginning of year	<u>265,589</u>	<u>443,251</u>
Cash and cash equivalents at end of year	\$ <u><u>110,410</u></u>	\$ <u><u>268,589</u></u>

See notes to financial statements.

Notes to Financial Statements June 30, 2023 and 2022

Note 1 - Nature of Activities and summary of significant accounting policies

Nature of activities

The Virginia Poverty Law Center, Inc. (Center) provides training and legal support services to local legal service providers on a statewide basis in Virginia.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States. Under generally accepted accounting principles, Virginia Poverty Law Center, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Estimates

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

Cash equivalents

For purposes of the Statement of Cash Flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying amounts reported in the Statements of Financial Position approximates fair values.

Accounts receivable

Accounts receivable are reviewed by management and any that are considered to be uncollectible are charged to expense. There is no allowance for doubtful accounts because there has been historically no bad debt expense.

Grant support

Program funds received on approved grants are recorded as revenue when earned, unless received prior to the grant period, in which case they are recorded as unearned revenue. If any costs are reimbursable, a receivable is recorded to recognize the offsetting revenue.

Property and equipment

Property and equipment with a value great than \$1,000 are capitalized and are stated at cost. Depreciation is computed on the straight-line method over estimated useful lives of 5 to 7 years. Expenditures for maintenance and repairs are expensed currently, while expenditures for major additions and betterments are capitalized.

Allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Notes on Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefitted

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 1 - Summary of significant accounting policies (concluded)

Income taxes

Virginia Poverty Law Center, Inc. is a non-profit charitable organization as defined by Internal Revenue Code Section 501(c)(3) and is not subject to federal or state income taxes. The Center is not considered to be a private foundation within the meaning of Section 509(a) of the Code. The Center’s income tax returns are potentially subject to examination by the Internal Revenue Service generally for three years after being filed. The Center has no uncertain tax positions for the current year or prior year.

Investments

Investments are composed of equity securities, certificate of deposits and mutual funds. Investments with readily determinable fair values are reported at their fair values in the statements of financial position. Donated investments are recorded at fair value as of the date received by the Center. Unrealized and realized gains and losses are reflected in the statements of activities.

Note 2 - Commitments

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The update requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standards require entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments. The Organization adopted the standard starting July 1, 2022 under the modified retrospective approach. For prior periods, the Organization elected a package of practical expedients that together allows an entity to not reassess whether a contract is or contains a lease, lease classification and direct costs. The following were recognized as of June 30, 2023 related to the leases:

Operating leases:

Lease Right-of-use asset	\$ <u>1 011 441</u>
Lease liability	\$ <u>1 022 332</u>

The Center rents office space under a sublease for ninety-three months with a starting monthly lease of \$13,516 per month. The lease payments increase by 3% every twelve months. The lease term ends April 30, 2030. The Center signed a two year lease, ending on November 30, 2024 for additional office space in Staunton, Virginia. The lease payment increases by 3% every twelve months, with a starting monthly lease rate of \$350 a month. Rental expense for 2023 was \$159,004 and for 2022 was \$147,469. The discount rate for the operating leases was 5%.

Minimum rental payments over the life of the lease are as follows:

2024	\$ 168 799
2025	171 628
2026	175 483
2027	180 754
2028	186 183
Thereafter	<u>356 000</u>
Total lease payment	1 238 847
Less input interest	<u>216 515</u>
Present value of liability	\$1 022 332

Notes to Financial Statements
June 30, 2023 and 2022

Note 3 - Grants concentration

The Center's operations are funded primarily through grants from Legal Services Corporation of Virginia. The following tabulation details grants which make up greater than 10% of total funding.

	<u>2023</u>	<u>2022</u>
Legal Services Corporation of Virginia	\$ 1 215 456	\$ 1 104 454
Enroll VA	2 363 193	1 322 055

Note 4 - Pension plan

The Center adopted a pension plan which qualifies under Section 403(b) of the Internal Revenue Code, in which employees may elect to have amounts withheld from their salaries and invested in tax deferred annuities. The Center contributes up to 6% of the employees' salary. Expenses under this plan totaled \$147,998 in 2023 and \$28,521 in 2022.

In 2022 the Center became aware that the retirement payments were not being processed and recorded by the retirement company. The company went live with a new database that caused many issues, the payments have now been made and were accrued in 2023 in the amount of \$68,672.

Note 5 - Investments

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for investments at June 30, 2023 and 2022 are as follows:

	<u>2023</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Equity	\$ 699 295	\$ 16 234	\$ 70	\$ 715 459
Fixed income	878 364	1 187	2 497	877 055
Sweep account	<u>176 400</u>	-	-	<u>176 400</u>
	<u>\$ 1 754 060</u>	<u>\$ 17 421</u>	<u>\$ 2 567</u>	<u>\$ 1 768 914</u>
	<u>2022</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Exchange Traded Close Ends Funds	\$ 901 804	\$ 95 604	\$ 58 021	\$ 939 387
Fixed income	1 050 775		94 330	926 445
Sweep account	<u>20 940</u>	-	-	<u>20 940</u>
	<u>\$ 1 943 519</u>	<u>\$ 95 604</u>	<u>\$ 152 351</u>	<u>\$ 1 886 908</u>

Total interest earned in the current year totaled \$53,215 and the prior year totaled \$46,900.

Note 6 - Subsequent events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 1, 2023 the date the financial statements were issued.

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 7 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 110 410	\$ 268 589
Investments	1 768 914	1 886 908
Accounts receivable	<u>444 889</u>	<u>246 355</u>
	\$ <u>2 324 213</u>	\$ <u>2 401 851</u>

Note 8 - Concentration of credit risk

Financial instruments which potentially subject the Center to concentration of credit risks consist principally of cash and cash equivalents. The Center maintains its cash balances in financial institutions located in central Virginia. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. Balances exceed the insured amount from time to time, but management does not believe there is significant risk.

The Center also has investments with a broker in the central Virginia area which is insured for up to \$100,000 for cash balances and a total of \$500,000 for cash and investment balances by the Securities Investor Protection Corporation (SIPC). The broker has also obtained additional insurance for accounts that have balances greater than the SIPC limit. The insurance does not cover losses caused by market value changes.

Management monitors receivables on a continuing basis and believes the credit risk is minimal because of close monitoring.

Note 9 - Fair value measurements

The Center records fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments were measured at fair value by level one valuation.

Accompanying Information

VIRGINIA POVERTY LAW CENTER, INC.

-11-

Statement of Support, Revenue and Expenses

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023							2022
	Legal Services Corporation of Virginia IOLTA	Domestic Violence Grant	Virginia Primary Grants	Other Grants	Property and Equipment	General	Total	Total
Support and revenue								
Grants and contracts	\$ 1,125,456	\$ 143,902	\$ 2,363,193	\$ 1,746,562	\$ -	\$ 214,742	\$ 5,593,855	\$ 3,502,257
Other grants and income	90,000	-	-	-	-	5,101	95,101	290,000
Donations	-	-	-	-	-	113,383	113,383	619,723
Cy Pres awards	-	-	-	-	-	189,631	189,631	-
Unrealized gains (losses)	-	-	-	-	-	2,618	2,618	(355,265)
Realized gains (losses)	-	-	-	-	-	94,378	94,378	25,532
Interest income	-	-	-	-	-	25,010	25,010	46,900
Total support and revenue	<u>1,215,456</u>	<u>143,902</u>	<u>2,363,193</u>	<u>1,746,562</u>	<u>-</u>	<u>644,863</u>	<u>6,113,976</u>	<u>4,129,147</u>
Expenses								
Personnel	463,467	143,902	1,327,055	1,417,344	-	215,554	3,567,322	2,741,739
Travel	73,338	-	1,514	30,574	-	-	105,426	32,429
Space cost	123,253	-	-	58,596	-	20,205	202,054	182,183
Consumable supplies	45,111	-	5,688	25,554	-	6,951	83,304	54,805
Purchase and maintenance of equipment	48,222	-	-	24,155	-	8,041	80,418	57,376
Training	-	-	-	-	-	175,987	175,987	1,643
Other direct costs	101,349	-	2,859	16,368	-	13,397	133,973	135,029
Professional services	213,248	-	14,500	18,333	-	27,342	273,423	339,612
Sub-grant expense	-	-	1,011,577	155,638	-	-	1,167,215	1,079,800
Website	12,611	-	-	-	-	-	12,611	11,817
Depreciation expense	-	-	-	-	19,334	-	19,334	17,870
Total expenses	<u>1,080,599</u>	<u>143,902</u>	<u>2,363,193</u>	<u>1,746,562</u>	<u>19,334</u>	<u>467,477</u>	<u>5,821,067</u>	<u>4,654,303</u>
Change in net assets	134,857	-	-	-	(19,334)	177,386	292,909	(525,156)
Net assets at beginning of year	39,178	-	-	-	53,279	1,746,689	1,839,146	2,364,302
Acquisition of equipment	(34,558)	-	-	-	34,558	-	-	-
Net assets at end of year	<u>\$ 139,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,503</u>	<u>\$ 1,924,075</u>	<u>\$ 2,132,055</u>	<u>\$ 1,839,146</u>