VIRGINIA POVERTY LAW CENTER, INC.

Financial Statements
and
Accompanying Information
for years ended
June 30, 2022 and 2021

Tax Exempt Providers of Legal Services Support

VIRGINIA POVERTY LAW CENTER, INC.

Contents

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, 2022 and 2021, 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, 2022 and 2021, 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
March 1, 2023

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VIRGINIA POVERTY LAW CENTER, INC.

Statements of Financial Position
June 30, 2022 and 2021

Assets

		2022		2021
Current assets				
Cash and cash equivalents	$	268,589	$	443,251
Investments		1,886,908		2,189,316
Accounts receivable		246,355		752,314
Prepaid expenses		16,445		18,134
Total current assets		2,418,297		3,403,015
Property and equipment				
Furniture and equipment		176,439		170,858
Less accumulated depreciation		117,579		99,709
Total property and equipment, net		58,860		71,149
Other assets				
Deposits		13,490		12,990
Total assets	$	2,490,647	$	3,487,154
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$	120,899	$	392,816
Accrued vacation		99,481		95,915
Funds held for others		-		85
Unearned revenue		431,121		634,036
Total current liabilities		651,501		1,122,852
Commitments				
Net assets, without donor restrictions		1,839,146		2,364,302
Total liabilities and net assets	$	2,490,647	$	3,487,154

See notes to financial statements.

VIRGINIA POVERTY LAW CENTER, INC.

Statements of Activities
For the Years Ended June 30, 2022 and 2021

		2022 Without donor restrictions		2021 Without donor restrictions
Support and revenue				
Grant income	$	3,792,257	$	4,260,606
Other income		619,723		916,451
Cy Pres Awards		-		22,092
Unrealized gain (loss) on investments		(355,265)		236,238
Realized gains (loss)		25,532		6,166
Investment income		46,900		28,723
Total support and revenue		4,129,147		5,470,276
Expenses				
Program Services				
Legal training and support		4,193,252		4,046,410
Supporting services				
Management and general		363,542		331,910
Fundraising expense		97,509		76,563
Total expenses		4,654,303		4,454,883
Change in net assets		(525,156)		1,015,393
Net assets at beginning of year		2,364,302		1,348,909
Net assets at end of year	$	1,839,146	$	2,364,302

See notes to financial statements.

Statements of Functional Expenses
June 30, 2022 and 2021

For the Year ended June 30, 2022

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	$ 2,371,993	$ 273,888	$ 95,858	$ 2,741,739
Travel	32,429	-	-	32,429
Space cost	157,014	24,515	654	182,183
Consumable supplies	39,585	15,221	-	54,805
Purchase and maintenance of equipment	53,821	3,555	-	57,376
Training	1,643	-	-	1,643
Other direct costs	117,517	16,515	997	135,029
Professional services	310,659	28,953	-	339,612
Sub-grant expense	1,079,800	-	-	1,079,800
Website	11,817	-	-	11,817
Depreciation expense	16,975	895	-	17,870
Total expenses	$ 4,193,252	$ 363,542	$ 97,509	$ 4,654,303

For the Year ended June 30, 2021

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	$ 2,079,551	$ 241,544	$ 75,884	$ 2,396,979
Travel	13,918	-	-	13,918
Space cost	154,185	22,554	425	177,164
Consumable supplies	(258)	36,954	-	36,695
Purchase and maintenance of equipment	49,409	5,489	-	54,898
Training	13,804	-	-	13,804
Other direct costs	142,377	9,214	254	151,845
Professional services	265,409	16,030	-	281,439
Sub-grant expense	1,317,832	-	-	1,317,832
Website	4,181	-	-	4,181
Depreciation expense	6,003	125	-	6,128
Total expenses	$ 4,046,410	$ 331,910	$ 76,563	$ 4,454,883

See notes to financial statements.

VIRGINIA POVERTY LAW CENTER, INC.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (525,156)	$ 1,015,393
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	17,870	6,128
Unrealized gain (loss) on investments	(355,265)	236,238
(Increase) decrease in accounts receivable	505,960	(311,480)
(Increase) decrease in prepaid expense	1,189	(12,481)
Increase (decrease) in accounts payable	(272,003)	219,162
Increase (decrease) in accrued vacation	3,566	23,479
Increase (decrease) in unearned support	202,915	19,133
Net cash provided by (used in) operations	(420,924)	1,195,572
Cash flows used in (provided by) investing activities		
Purchase of equipment	(5,581)	(68,497)
Purchase of investments	(22,247)	(1,351,251)
Sale of investments	274,090	138,436
Net cash provided (used in) investing activities	246,262	(1,281,312)
Cash flows used in financing activities		
Note payable PPP forgiveness	-	(381,000)
Note payable PPP proceeds	-	-
Net cash (used in) provided by financing activities	-	(381,000)
Net increase (decrease) in cash and cash equivalents	(174,662)	(466,740)
Cash and cash equivalents at beginning of year	443,251	909,991
Cash and cash equivalents at end of year	$ 268,589	$ 443,251

See notes to financial statements.

Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021

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

The Center rents office space under a sublease for ninety-three months with a starting monthly lease of $4,665 per month. The lease payments increase by 3% every twelve months. The lease term ends March 31, 2023. The Center signed an additional sixty month lease ending in April 1, 2022 for additional office space. The lease payment increases by 3% every twelve months. Rental expense for 2022 was $147,469 and for 2021 was $136,554.

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

2023	$ 162 327
2024	162 436
2025	170 392
2026	175 483
2027	180 754
Thereafter	542 183
Total	$1 396 574

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.

	2022	2021
Legal Services Corporation of Virginia	$ 1 104 454	$ 904 454
VOCA grant	-	609 983

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 $28,521 in 2022 and $28,938 in 2021.

Notes to Financial Statements
June 30, 2022 and 2021

Note 5 - Investments

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for investments at June 30, 2022 and 2021 are as follows:

	2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Exchange Traded Close Ends Funds	$ 901 804	$ 95 604	$ 58 021	$ 939 387
Fixed income	1 050 775		94 330	926 445
Sweep account	20 940	-	-	20 940
	$ 1 943 519	$ 95 604	$ 152 351	$ 1 886 908

	2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Exchange Traded Close End Funds	$ 1 870 560	$ 289 573	$ -	$ 2 160 133
Mutual fund	10 640	6	-	10 646
Certificate of deposits	18 537	-	-	18 537
	$ 1 899 737	$ 289 579	$ -	$ 2 189 316

Total interest earned in the current year totaled $46,900 and the prior year totaled $28,723.

Note 6 - Subsequent events

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

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:

	2022	2021
Cash and cash equivalents	$ 268 589	$ 443 251
Investments	1 886 908	2 189 316
Accounts receivable	246 355	752 314
	$ 2 401 851	$ 3 384 881

Notes to Financial Statements
June 30, 2022 and 2021

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 and 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.

Note 10 - Accounting pronouncements

In February 2016, *Financial Accounting Standards Board* (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2021.

Notes to Financial Statements
June 30, 2022 and 2021

Note 11 - Paycheck Protection Program Loan Payable

On April 2020, Virginia Poverty Law Center, Inc. received loan proceeds in the amount of $381,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. The loan was forgiven in full during 2021.

Accompanying Information

VIRGINIA POVERTY LAW CENTER, INC.

Statement of Support, Revenue and Expenses

For the Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022							
	Legal Services Corporation of Virginia IOLTA	Domestic Violence Grant	Virginia Primary Grants	Other Grants	Property and Equipment	General	Total	**2021** Total
Support and revenue								
Grants and contracts	$ 814,454	$ 213,593	$ 1,322,055	$ 1,152,155	$ -	$ -	$ 3,502,257	$ 3,776,696
Other grants and income	290,000	-	-	-	-	-	290,000	483,910
PPP loan forgiveness	-	-	-	-	-	-	-	381,000
Donations	-	-	-	-	-	619,723	619,723	535,451
Cy Pres awards	-	-	-	-	-	-	-	22,092
Unrealized gains (losses)	-	-	-	-	-	(355,265)	(355,265)	236,238
Realized gains (losses)	-	-	-	-	-	25,532	25,532	6,166
Interest income	-	-	-	-	-	46,900	46,900	28,723
Total support and revenue	1,104,454	213,593	1,322,055	1,152,155	-	336,890	4,129,147	5,470,276
Expenses								
Personnel	520,053	213,593	554,588	724,054	-	729,451	2,741,739	2,396,979
Travel	31,645	-	660	124	-	-	32,429	13,918
Space cost	51,154	-	-	95,884	-	35,145	182,183	177,164
Consumable supplies	34,937	-	19,868	-	-	-	54,805	36,695
Purchase and maintenance of equipment	57,376	-	-	-	-	-	57,376	54,898
Training	1,643	-	-	-	-	-	1,643	13,804
Other direct costs	116,128	-	2,533	16,368	-	-	135,029	151,845
Professional services	319,728	-	1,551	18,333	-	-	339,612	281,439
Sub-grant expense	39,553	-	742,855	297,392	-	-	1,079,800	1,317,832
Website	11,817	-	-	-	-	-	11,817	4,181
Depreciation expense	-	-	-	-	17,870	-	17,870	6,128
Total expenses	1,184,034	213,593	1,322,055	1,152,155	17,870	764,596	4,654,303	4,454,883
Change in net assets	(79,580)	-	-	-	(17,870)	(427,706)	(525,156)	1,015,393
Net assets at beginning of year	118,758	-	-	-	71,149	2,174,395	2,364,302	1,348,909
Acquisition of equipment	-	-	-	-	-	-	-	-
Net assets at end of year	$ 39,178	$ -	$ -	$ -	$ 53,279	$ 1,746,689	$ 1,839,146	$ 2,364,302