



PISGAH LEGAL SERVICES

Asheville, North Carolina

Financial Statements and
Supplementary Information

Year Ended December 31, 2017

PISGAH LEGAL SERVICES

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Bill Wolcott
Ron Curran
Esther Cartwright

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PISGAH LEGAL SERVICES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pisgah Legal Services

Report on the Financial Statements

We have audited the accompanying financial statements of Pisgah Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 auditors' 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 Pisgah Legal Services as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Pisgah Legal Services' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 expenditures of federal, state, and other awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Pisgah Legal Services
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2018, on our consideration of Pisgah Legal Services' 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 Pisgah Legal Services' 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 Pisgah Legal Services' internal control over financial reporting and compliance.



Asheville, North Carolina
July 10, 2018

PISGAH LEGAL SERVICES

Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,559,872	\$ 1,163,658
Restricted	39,223	86,629
Grants and contracts receivable	679,575	650,132
Sales tax and other receivables	6,716	12,821
Unconditional promises to give	310,567	271,491
Current portion prepaid and deferred expenses	94,060	75,590
Deposits	1,694	1,694
Total current assets	2,691,707	2,262,015
Prepaid and deferred expenses, net of current portion	70,108	
Endowment investments	679,918	493,986
Beneficial interest in endowment funds	117,193	104,650
Property and equipment	4,480,275	4,474,267
Total assets	\$ 8,039,201	\$ 7,334,918
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 30,000	\$ 30,000
Accounts payable	25,783	24,805
Accrued liabilities	105,503	235,755
Client and other deposits	2,285	2,818
Total current liabilities	163,571	293,378
Long-term debt, net of current maturities	355,500	301,500
Total liabilities	519,071	594,878
Net assets:		
Unrestricted:		
Undesignated	918,952	384,276
Investment in property and equipment, net of related debt	4,194,775	4,142,767
Beneficial interest in endowment funds	117,193	104,650
Board designated endowment fund	679,918	493,986
Board designated capital and operating reserve	590,000	590,000
Total unrestricted	6,500,838	5,715,679
Temporarily restricted	1,019,292	1,024,361
Total net assets	7,520,130	6,740,040
Total liabilities and net assets	\$ 8,039,201	\$ 7,334,918

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

PISGAH LEGAL SERVICES

Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Public support and other revenues				
State of North Carolina	\$	\$ 290,915	\$ 290,915	\$ 309,944
Grants and contracts		3,210,616	3,210,616	2,853,279
Donations and contributions	939,534	316,790	1,256,324	1,047,056
Donated services	794,083		794,083	656,200
In-kind donations	6,891		6,891	12,117
Interest income	23,609		23,609	12,783
Rental income, net	29,829		29,829	36,301
Special events, net	47,975		47,975	50,305
Other income	3,715		3,715	7,696
Net assets released from restrictions	<u>3,761,708</u>	<u>(3,761,708)</u>		
Total public support and other revenues	<u>5,607,344</u>	<u>56,613</u>	<u>5,663,957</u>	<u>4,985,681</u>
Expenses				
Program services	4,089,728		4,089,728	3,567,799
Supporting services	836,253		836,253	829,628
Provision for bad debt	<u>9,897</u>		<u>9,897</u>	
Total expenses	<u>4,935,878</u>		<u>4,935,878</u>	<u>4,397,427</u>
Increase in net assets before capital campaign activity	<u>671,466</u>	<u>56,613</u>	<u>728,079</u>	<u>588,254</u>
Capital campaign				
Contributions and other campaign adjustments		15,100	15,100	246
Campaign expenses	(46,782)		(46,782)	(4,795)
Net assets released from restrictions	<u>76,782</u>	<u>(76,782)</u>		
Net capital campaign activity	<u>30,000</u>	<u>(61,682)</u>	<u>(31,682)</u>	<u>(4,549)</u>
Increase (decrease) in net assets before other gains	<u>701,466</u>	<u>(5,069)</u>	<u>696,397</u>	<u>583,705</u>
Other gains				
Net gains on beneficial interest in endowment funds	11,924		11,924	7,172
Net gains on endowment investments	<u>71,769</u>		<u>71,769</u>	<u>12,087</u>
Total other gains	<u>83,693</u>		<u>83,693</u>	<u>19,259</u>
Increase (decrease) in net assets	785,159	(5,069)	780,090	602,964
Net assets at beginning of year	<u>5,715,679</u>	<u>1,024,361</u>	<u>6,740,040</u>	<u>6,137,076</u>
Net assets at end of year	<u>\$ 6,500,838</u>	<u>\$ 1,019,292</u>	<u>\$ 7,520,130</u>	<u>\$ 6,740,040</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Program Services						
	Legal Services to the Poor	Children's Law Project	Domestic Violence Prevention	Disability Assistance	Volunteer Lawyers/ Hotline	Homelessness Prevention	Elder Law
Salaries:							
Attorneys	\$ 222,195	\$ 47,273	\$ 400,633	\$ 100,554	\$ 19,539	\$ 125,994	\$ 64,195
Paralegals	243	793	5,550	1,255	661	1,520	1,453
Support	49,878	44,778	235,979	131,996	48,885	40,145	74,165
Administrative							
Contributed services					794,083		
Fringe benefits	<u>109,546</u>	<u>32,050</u>	<u>199,863</u>	<u>84,882</u>	<u>23,954</u>	<u>64,262</u>	<u>53,286</u>
Total salaries and benefits	381,862	124,894	842,025	318,687	887,122	231,921	193,099
Occupancy	7,510	2,415	15,775	4,651	1,320	3,950	2,045
Equipment rental	1,054	588	2,484	1,135	294	964	499
Office supplies	9,801	6,011	26,940	11,578	2,851	9,833	5,091
Postage	1,480	887	3,965	1,707	632	1,451	751
Telephone	4,579	2,804	13,391	5,402	1,837	4,587	2,375
Travel	591	383	2,926	738	112	626	324
Staff training	2,425	1,392	8,138	2,681	1,107	2,277	1,179
Library	320	181	764	349	248	296	153
Insurance	1,295	785	3,310	1,512	558	1,284	665
Dues and fees	1,923	1,168	4,925	2,249	625	1,910	989
Litigation	419	251	1,059	484	334	411	213
Contract services	1,178		38,720				
Audit and accounting	2,030	1,316	5,551	2,535	389	2,153	1,115
Technology	4,037	2,321	9,790	4,471	686	3,797	1,966
Other	<u>15,410</u>	<u>52</u>	<u>220</u>	<u>101</u>	<u>16</u>	<u>86</u>	<u>44</u>
Total expenses before depreciation	435,914	145,448	979,983	358,280	898,131	265,546	210,508
Depreciation	<u>15,088</u>	<u>4,040</u>	<u>27,193</u>	<u>9,943</u>	<u>6,701</u>	<u>7,374</u>	<u>5,838</u>
Total expenses	<u>\$ 451,002</u>	<u>\$ 149,488</u>	<u>\$ 1,007,176</u>	<u>\$ 368,223</u>	<u>\$ 904,832</u>	<u>\$ 272,920</u>	<u>\$ 216,346</u>

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

PISGAH LEGAL SERVICES

Statement of Functional Expenses (continued)
 Year Ended December 31, 2017
 (With Comparative Totals for 2016)

	Program Services			Supporting Services			Total 2017	Total 2016
	Justice for All Project	Health, Education, and Legal Support	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries:								
Attorneys	\$ 58,187	\$ 121,707	\$ 1,160,277	\$	\$	\$	\$ 1,160,277	\$ 1,014,743
Paralegals	1,189	396	13,060				13,060	13,213
Support	69,969	220,693	916,488				916,488	860,828
Administrative				291,064	270,130	561,194	561,194	577,786
Contributed services			794,083				794,083	656,200
Fringe benefits	49,266	103,337	720,446	76,680	77,943	154,623	875,069	744,026
Total salaries and benefits	178,611	446,133	3,604,354	367,744	348,073	715,817	4,320,171	3,866,796
Occupancy	2,435	6,840	46,941	5,665	6,357	12,022	58,963	57,234
Equipment rental	594	1,123	8,735	1,382	1,551	2,933	11,668	10,830
Office supplies	6,063	13,132	91,300	14,104	15,827	29,931	121,231	111,739
Postage	895	1,691	13,459	2,081	2,335	4,416	17,875	21,012
Telephone	2,829	13,818	51,622	6,582	7,384	13,966	65,588	48,882
Travel	386	1,993	8,079	899	1,008	1,907	9,986	18,429
Staff training	1,404	2,654	23,257	3,668	3,664	7,332	30,589	29,070
Library	183	345	2,839	426	477	903	3,742	7,108
Insurance	792	1,497	11,698	1,841	2,067	3,908	15,606	15,178
Dues and fees	1,178	2,227	17,194	2,741	3,075	5,816	23,010	23,478
Litigation	253	479	3,903				3,903	3,711
Contract services		2,000	41,898				41,898	6,501
Audit and accounting	1,328	2,510	18,927	3,089	3,466	6,555	25,482	19,176
Technology	2,342	4,426	33,836	5,448	6,113	11,561	45,397	54,496
Other	53	99	16,081	131	137	268	16,349	16,847
Total expenses before depreciation	199,346	500,967	3,994,123	415,801	401,534	817,335	4,811,458	4,310,487
Depreciation	5,532	13,896	95,605	8,916	10,002	18,918	114,523	86,940
Total expenses	\$ 204,878	\$ 514,863	\$ 4,089,728	\$ 424,717	\$ 411,536	\$ 836,253	\$ 4,925,981	\$ 4,397,427

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

PISGAH LEGAL SERVICES

Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 780,090	\$ 602,964
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	128,830	101,104
Receipt of donated stock	(118,132)	(102,503)
Net gains on endowment investments	(71,769)	(12,087)
Net gains on beneficial interest in endowment funds	(11,924)	(7,172)
Provision for uncollectible promises to give	52,417	(11,067)
Gain on sale of property and equipment	(3,715)	(500)
Changes in working capital - sources (uses):		
Grants and contracts receivable	(29,443)	203,504
Sales tax and other receivables	6,105	(4,044)
Unconditional promises to give	(91,493)	(75,827)
Prepaid and deferred expenses	(88,578)	(8,621)
Deposits		(300)
Accounts payable	978	(8,751)
Accrued liabilities	(130,252)	143,743
Client and other deposits	(533)	(207)
Net cash provided by operating activities	422,581	820,236
Cash flows from investing activities		
Proceeds from sale of donated stock and investments	174,521	102,943
Proceeds from the sale of property and equipment	3,715	15,335
Purchase of investments	(68,937)	(5,079)
Change in beneficial interest in endowment funds	(369)	(467)
Contributions to endowment investments	(101,615)	(287,861)
Contributions to beneficial interest in endowment funds	(250)	(12,500)
Purchase of property and equipment	(134,838)	(37,097)
Net cash used by investing activities	(127,773)	(224,726)
Cash flows from financing activities		
Proceeds from long-term debt	100,000	
Principal payments on long-term debt	(46,000)	(30,000)
Net cash provided (used) by financing activities	54,000	(30,000)
Net increase in cash and equivalents	348,808	565,510
Cash and equivalents at beginning of year	1,250,287	684,777
Cash and equivalents at end of year	\$ 1,599,095	\$ 1,250,287
Supplemental disclosure for cash flow information		
Cash paid for interest	\$ 12,526	\$ 12,068

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

PISGAH LEGAL SERVICES

Notes to Financial Statements
December 31, 2017

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Organization

Pisgah Legal Services (Organization) is a nonprofit organization whose purpose is to provide legal services for economically disadvantaged individuals primarily in a six-county area of Western North Carolina.

The Organization was incorporated in September 1979 as a non-profit corporation in the State of North Carolina with its principal office in Asheville, North Carolina.

Major Programs

The Organization's principal programs are comprised of:

- *Legal Services to the Poor:* Helps low-income individuals address consumer protection issues, income shortfalls, and manage their limited resources.
- *Children's Law Project:* Helps disadvantaged children avoid homelessness, access essential services such as medical care, public education, and escape situations of abuse.
- *Domestic Violence Prevention:* Helps families secure safety from domestic violence with various remedies through the courts and rebuild their lives.
- *Disability Assistance:* Helps individuals with disabilities access medical care and subsistence income and live with dignity.
- *Volunteer Lawyers/Hotline:* Recruits and trains a network of volunteer lawyers to provide pro bono legal services to the Organization's clients.
- *Homelessness Prevention:* Prevents families and individuals from losing their homes to eviction or foreclosure. Secures decent, affordable, and stable housing.
- *Elder Law:* Helps seniors live independently in their homes as long as possible. Protects seniors from financial or physical abuse or harassment. Assists with end-of-life planning.
- *Justice for All Project:* Helps eligible immigrants comply with technical requirements to work legally and become citizens. Addresses other basic needs so that immigrants may lift themselves and their families out of poverty.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Major Programs (continued)

- *Health, Education, and Legal Support (HEALS)*: A partnership with Mission Hospitals and the Mountain Area Health Education Center, which integrates legal aid with health care to improve health for low-income people. *HEALS* also includes Affordable Care Act assistance provided to help people understand and purchase affordable health insurance in the six counties of Western North Carolina.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

The Organization is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present its net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are classified as follows in the Statement of Financial Position:

Undesignated net assets - Net assets that are not subject to donor-imposed stipulations or designations.

Investment in property and equipment - Net assets that are designated and consist of the investment in property and equipment net of accumulated depreciation and any related debt.

Beneficial interest in endowment funds - Unrestricted net assets that are designated and consist of the fair value held in an endowment fund managed by a third party.

Board designated - Unrestricted net assets that have been designated by the Organization's Board for specific purposes. The Board has chosen to designate net assets available for a capital and operating reserve and to establish an endowment fund.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *Temporarily restricted net assets:* Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on the related investments for general or specific purposes. At December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

Grants and contracts receivable consist of unconditional grants awarded or portions of contracts earned but not collected as of December 31, 2017 and 2016. Management considers all of the grants and earned portions of contracts to be fully collectible; therefore, no allowance has been made.

Unconditional Promises to Give

Unconditional promises to give consist of amounts promised as part of the capital and annual campaigns but not received as of December 31, 2017 and 2016. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment with a cost of \$1,000 or more and that have an estimated useful life greater than one year, are capitalized at cost. Expenses for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to thirty-nine years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fair Value Measurements and Disclosures

The Organization applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Support and Revenue Sources

The Organization receives support from multiple sources that include grant agreements with other non-profit organizations, foundations, and governmental entities; individual contributions are also received. Revenue is recognized for third-party reimbursement contracts and the leasing of unused office space at the Organization's principal office in Asheville, North Carolina.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

A substantial number of attorneys have donated a significant amount of time to the Organization's programs. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Amounts have been reflected in the accompanying financial statements for contributed services to the Volunteer Lawyer/Hotline program since the requirements for recognition have been met. For the years ended December 31, 2017 and 2016, contributed attorney fees were \$794,083 and \$656,200, respectively.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services by statistical means.

Estimates

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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, Leases (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2016, FASB issued Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

In November 2016, FASB issued Accounting Standards Update 2016-18, *Restricted Cash*, (ASU 2016-18). ASU 2016-18 is intended to clarify the classification and presentation of restricted cash and cash equivalents in the statement of cash flows. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At December 31</u>	<u>2017</u>	<u>2016</u>
Legal Services for the Poor	\$ 378,964	\$ 340,823
Children's Law Project	62,075	108,047
Domestic Violence Prevention	46,267	67,379
Disability Assistance	21,018	21,738
Volunteer Lawyers/Hotline	44,250	
Homelessness Prevention	34,358	57,078
Elder Law	9,003	9,842
Justice for All Project	84,732	16,616
Health, Education, and Legal Support	256,725	259,256
Capital Campaign	<u>81,900</u>	<u>143,582</u>
<u>Temporarily restricted net assets</u>	<u>\$ 1,019,292</u>	<u>\$ 1,024,361</u>

Note 3 - Promises to Give

The Organization conducted an annual campaign for the purpose of generating unrestricted funds, as well as to provide support for various programs to supplement grant funding. In a previous year, the Organization conducted a capital campaign to raise funds for the purchase and subsequent remodeling of a new office facility.

Note 3 - Promises to Give (continued)

Promises to give are described as follows:

<u>At December 31</u>	<u>2017</u>	<u>2016</u>
Capital Campaign:		
Due in less than one year	\$ 180,072	\$ 196,653
Allowance for uncollectable promises to give	<u>(100,841)</u>	<u>(64,895)</u>
Unconditional capital campaign promises to give, net	<u>79,231</u>	<u>131,758</u>
Annual Campaign:		
Due in less than one year	\$ 239,763	\$ 149,070
Allowance for uncollectable promises to give	<u>(8,427)</u>	<u>(9,337)</u>
Unconditional annual campaign promises to give, net	<u>231,336</u>	<u>139,733</u>
<u>Promises to give</u>	<u>\$ 310,567</u>	<u>\$ 271,491</u>

Note 4 - Capital Campaign Expenses

Following is a schedule of expenses related to the Organization's capital campaign:

<u>Years Ended December 31</u>	<u>2017</u>	<u>2016</u>
Interest expense	\$ 3,938	\$ 4,154
Bad debt expense	42,520	
Bank charges and fees	<u>324</u>	<u>641</u>
<u>Capital campaign expenses</u>	<u>\$ 46,782</u>	<u>\$ 4,795</u>

Note 5 - Beneficial Interest in Endowment Funds

The Organization has established endowment funds at the Community Foundation of Western North Carolina, Inc. (CFWNC) and Community Foundation of Henderson County, Inc. (CFHC). The purpose of these funds is to support the charitable work of the Organization. The Board of Directors of the foundations have variance power, which is the absolute authority and discretion as to the investment and reinvestment of the assets. Variance power also allows the Board of Directors of the foundations to modify any condition or restriction on distributions of funds, if such condition or restriction becomes unnecessary, in capable of fulfillment, or inconsistent with the charitable needs of the community. Distributable income is available to the Organization annually. In most circumstances, endowment principal will not be distributed. However, upon agreement by the Board of Directors of foundations and the Board of Directors of the Organization all or a portion of the principal may be distributed. The carrying amount of the beneficial interest in endowment funds at December 31, 2017 and 2016, was \$117,193 and \$104,650, respectively.

Note 5 - Beneficial Interest in Endowment Funds (continued)

The Organization's current intent is to retain distributable income in the funds. A schedule of endowment related activity for the year is as follows:

<u>Years Ended December 31</u>	<u>2017</u>	<u>2016</u>
Investment income	\$ 1,359	\$ 1,338
Net appreciation	11,924	7,172
Contributions received	250	12,500
Management fees	<u>(990)</u>	<u>(871)</u>
<u>Increase in beneficial interest in endowment funds</u>	<u>\$ 12,543</u>	<u>\$ 20,139</u>

The Organization is also the specified beneficiary for a designated endowment fund held by the Community Foundation of Henderson County, Inc. The fair value of the fund at December 31, 2017 and 2016, was \$52,118, and \$44,089, respectively. In accordance with professional standards, the balance of the designated endowment fund is not reflected in the Organization's financial records.

Note 6 - Fair Value Measurements

Endowment investment accounts consist of money market funds, equity securities, and corporate bonds that are recorded to fair value based on current quoted market prices provided by investment custodians or other models. The fair value of the beneficial interest in endowment funds is determined by the foundations. The fair value of each financial instrument in the table below was measured using U.S. GAAP fair value measurements input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values for financial instruments:

<u>At December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 51	\$	\$	\$ 51
Equity securities	441,700			441,700
Corporate bonds	<u>238,167</u>			<u>238,167</u>
Total endowment investments	679,918			679,918
Beneficial interest in endowment funds			<u>117,193</u>	<u>117,193</u>
Total endowment investments and beneficial interest in endowment funds	<u>\$ 679,918</u>	<u>\$</u>	<u>\$ 117,193</u>	<u>\$ 797,111</u>

Note 6 - Fair Value Measurements (continued)

<u>At December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 210,272	\$	\$	\$ 210,272
Equity securities	202,208			202,208
Corporate bonds	<u>81,506</u>	<u> </u>	<u> </u>	<u>81,506</u>
Total endowment investments	493,986			493,986
Beneficial interest in endowment funds	<u> </u>	<u> </u>	<u>104,650</u>	<u>104,650</u>
Total endowment investments and beneficial interest in endowment funds	\$ 493,986	\$	\$ 104,650	\$ 598,636

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended December 31, 2017</u>	
Level 3 inputs, beginning of year	\$ 104,650
Contributions	250
Investment income, net of fees	369
Realized gains	1,797
Unrealized gains	<u>10,127</u>
Level 3 inputs, end of year	<u>\$ 117,193</u>

Note 7 - Property and Equipment

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,109,230	\$ 2,109,230
Equipment and furniture	319,950	242,352
Vehicles	45,227	40,779
Buildings and improvements	<u>2,858,136</u>	<u>2,831,314</u>
	5,332,543	5,223,675
Less, accumulated depreciation	<u>852,268</u>	<u>749,408</u>
Property and equipment	<u>\$ 4,480,275</u>	<u>\$ 4,474,267</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$128,830 and \$101,104, respectively.

Note 8 - Accrued Liabilities

A description of accrued liabilities is as follows:

<u>At December 31</u>	<u>2017</u>	<u>2016</u>
Accrued compensated absences	\$ 101,161	\$ 103,677
Deferred rental income	4,342	4,317
Accrued retirement liability	<u> </u>	<u>127,761</u>
<u>Accrued liabilities</u>	<u>\$ 105,503</u>	<u>\$ 235,755</u>

Note 9 - Long-term Debt

Long-term Debt is described as follows:

<u>At December 31</u>	<u>2017</u>	<u>2016</u>
Promissory note with a stated interest rate of 3.5%. The note requires sixty-two monthly interest only payments, four annual principal payments of \$30,000 each, and a balloon payment of all outstanding interest and principal in December 2021. The note is secured by real property located at 62 Charlotte Street, Asheville, North Carolina.	\$ 115,000	\$ 145,000
Promissory note with a stated interest rate of 3.5%. The note requires fifty-nine monthly payments of interest only, and a balloon payment of all outstanding principal and interest in June 2020. The note is secured by real property located at 169 North Main Street, Rutherfordton, North Carolina.	132,000	132,000
Promissory note with a stated interest rate of 3.5%. The note requires fifty-nine monthly payments of interest only, and a balloon payment of all outstanding principal and interest in June 2020. The note is secured by a cash account held with the financial institution.	38,500	54,500
Unsecured promissory note with a stated interest rate of 1.15%. The note requires two annual payments of interest only beginning in May 2018, and a balloon payment of all outstanding principal and interest in May 2020.	<u>100,000</u>	<u> </u>
	385,500	331,500
Less, current maturities	<u>30,000</u>	<u>30,000</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 355,500</u>	<u>\$ 301,500</u>

Note 9 - Long-term Debt (continued)

Interest expense for the years ended December 31, 2017 and 2016, was \$11,980 and \$11,978, respectively.

Scheduled principal repayments on notes payable for the next five years and thereafter are as follows:

<u>Years Ending December 31</u>	<u>Principal Payments</u>
2018	\$ 30,000
2019	30,000
2020	300,500
2021	25,000
2022	
Thereafter	
<u>Total notes payable</u>	<u>\$ 385,500</u>

Note 10 - Credit Agreement

The Organization maintains a line of credit to meet short-term working capital needs. Maximum borrowings are \$300,000. The line of credit expires on August 1, 2018. There were no advances taken in 2017, and the balance at December 31, 2017 and 2016, was \$0.

Note 11 - Rental Activities

The Organization leases a portion of its office building to other entities. Following is a schedule of rental activities:

<u>Years Ended December 31</u>	<u>2017</u>	<u>2016</u>
Rental income	\$ 55,573	\$ 62,835
Rental expenses:		
Interest expense	1,126	1,188
Depreciation expense	14,307	14,164
Property taxes	6,007	6,820
Utilities	3,032	3,304
Maintenance	1,272	1,046
Other		12
Total rental expenses	<u>25,744</u>	<u>26,534</u>
<u>Rental income, net</u>	<u>\$ 29,829</u>	<u>\$ 36,301</u>

Note 11 - Rental Activities (continued)

Following is a schedule of minimum lease payments to be received under noncancelable operating leases:

<u>Years Ending December 31</u>	<u>Future minimum payments</u>
2018	\$ 44,446
2019	15,220
2020	
2021	
2022	
Thereafter	
<u>Total</u>	<u>\$ 59,666</u>

Note 12 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization has received rental income for commercial space it owns at 62 Charlotte Street. The building is debt-financed and as such the net rental income is subject to unrelated business income tax as specified in the Internal Revenue Code. For the years ended December 31, 2017 and 2016, the rental activity generated a net income of \$29,829 and \$36,301, respectively. Management has determined the income taxes for unrelated business income in 2017 is not material.

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended December 31, 2014, 2015, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Commitments and Contingencies

Lease Commitments

The Organization leases office space under a month-to-month agreement and payments of \$500 per month. Additionally, the Organization leases office space under an annual agreement and payments of \$325 per month. Future minimum lease payments for the year ending December 31, 2018, are \$3,750.

Note 13 - Commitments and Contingencies (continued)

Total rent expense for all operating leases for the years ended December 31, 2017 and 2016, was \$9,650 and \$6,700, respectively.

Governmental Assisted Programs

The Organization has received proceeds from various federal, state, and local agencies. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund of grant and third party reimbursement monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provisions have been made in the accompanying financial statements for the refund of grant monies or third party reimbursements.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employees; and natural disasters. The Organization carries commercial and professional liability insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 14 - Retirement Plan

At the Board of Director's discretion, the Organization contributes to a 401(k) plan for all eligible employees. Employees are eligible after the first quarterly enrollment date after six months of employment. The contribution is based on an established percentage of the employee's annual compensation. For the years ended December 31, 2017 and 2016, the Organization's contribution totaled 6.5% of eligible compensation or \$165,037 and \$127,761, respectively.

Note 15 - Concentrations of Credit Risk

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation on balances up to \$250,000. At December 31, 2017, the uninsured cash balance was \$1,145,946.

Note 16 - Subsequent Events

Management has evaluated subsequent events through July 10, 2018, the date on which the financial statements were available to be issued.

In March 2018, long-term debt of \$100,000 was forgiven and a contribution was recorded in that amount.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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

To the Board of Directors
Pisgah Legal Services

We have audited, 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, the financial statements of Pisgah Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 July 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pisgah Legal Services' 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 Pisgah Legal Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Pisgah Legal Services' 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.

To the Board of Directors
Pisgah Legal Services

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pisgah Legal Services' 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.



Asheville, North Carolina
July 10, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Pisgah Legal Services

Report on Compliance for Each Major Federal Program

We have audited Pisgah Legal Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of Pisgah Legal Services' major federal programs for the year ended December 31, 2017. Pisgah Legal Services' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pisgah Legal Services' major federal programs 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Pisgah Legal Services' 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 each major federal program. However, our audit does not provide a legal determination of Pisgah Legal Services' compliance.

To the Board of Directors
Pisgah Legal Services

Opinion on Each Major Federal Program

In our opinion, Pisgah Legal Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Pisgah Legal Services 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 Pisgah Legal Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Pisgah Legal Services' internal control over compliance.

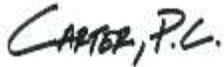
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

To the Board of Directors
Pisgah Legal Services

Purpose of this Report

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.



Asheville, North Carolina
July 10, 2018

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards Year Ended December 31, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Justice</u>			
Violence Against Women Office:			
Passed through Mediation Center:			
Justice Systems Response to Families: Safety for Mountain Families	16.021	2016-FJ-AX-0007	\$ 51,432
Legal Assistance for Victims: Mountain Violence Prevention Grant	16.524	2009-WL-AX-0029	103,571
Passed through Safe, Inc.:			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program: Mountain Violence Prevention Grant	16.589		8,387
Office for Victims of Crime:			
Passed through N.C. Department of Public Safety:			
Governor's Crime Commission:			
Crime Victim Assistance:			
Response to Domestic Violence in WNC 2016	16.575	PROJ011577	254,361
Legal Services to Stop Abuse and Assault in WNC	16.575	PROJ011275	78,778
Western NC Holistic Support for Immigrant Abuse Victims UCVS 2015	16.575	PROJ011276	48,772
Passed through Buncombe County:			
Family Justice Center Project	16.575	PROJ011371 & PROJ012140	95,677
Legal Services for Rural, Immigrant and Underserved Communities in WNC	16.575	PROJ012238	59,691
Passed through Safelight:			
Henderson County Emergency Legal Assistance 2016	16.575		<u>28,466</u>
Total Crime Victim Assistance			<u>565,745</u>
Total U.S. Department of Justice			<u>729,135</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued) Year Ended December 31, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development:			
Passed through City of Asheville:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants: Homelessness Prevention Project	14.218		\$ <u>40,822</u>
<u>U.S. Department of Health and Human Services</u>			
Administration for Community Living:			
Aging Cluster:			
Passed through Land of Sky Regional Council:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers: Elder Law Project	93.044		22,791
Passed through Isothermal Planning and Development Commission:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers: Elder Law Project	93.044		3,523
Passed through Henderson County:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers: Elder Law Project	93.044		23,219
Passed through Transylvania County:			
Special Projects for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers: Elder Law Project	93.044		<u>6,076</u>
Total Aging Cluster			55,609
Centers for Medicare and Medicaid Services:			
Passed through Legal Aid of North Carolina:			
Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Marketplaces	93.332		174,160

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (continued) Year Ended December 31, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Administration for Children and Families:			
Passed through North Carolina Council for Women:			
Family Violence Prevention and Services	93.671		\$ <u>36,815</u>
Total U.S. Department of Health and Human Services			_____ <u>266,584</u>
Total federal awards			\$ <u>1,036,541</u>
 STATE AWARDS			
<u>North Carolina Housing Finance Agency</u>			
Passed through Legal Aid of North Carolina:			
North Carolina State Home Foreclosure Prevention Project			\$ 79,717
 <u>North Carolina State Bar</u>			
Passed through North Carolina State Bar Plan for Interest on Lawyers' Trust			
Accounts (NC IOLTA):			
Indigent Defense Services (N.C.S.L 2016-123)			100,000
Access to Civil Justice Act			42,366
Domestic Violence Victim Assistance Act			<u>68,832</u>
Total North Carolina State Bar			<u>211,198</u>
Total state awards			\$ <u>290,915</u>

PISGAH LEGAL SERVICES

Schedule of Expenditures of Federal, State, and Other Awards (Continued) Year Ended December 31, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>
OTHER AWARDS			
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (NC IOLTA)</u>			
Legal Services to the Poor		2017-3	\$ 52,100
Mountain Area Volunteer Lawyer Program		2017-10	42,000
Bank of America Community Redevelopment and Foreclosure Prevention Grant		BofA2016-6	337,273
Bank of America Foreclosure Prevention Grant		BofA2016-7	<u>41,250</u>
Total other awards			<u>\$ 472,623</u>

Notes to the Schedule of Expenditures of Federal, State, and Other Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal, state, and other awards (SEFSA) includes the federal and state grant activity of Pisgah Legal Services under the programs of the federal government, the State of North Carolina, and other awarding agencies for the year ended December 31, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFSA presents only a selected portion of the operations of Pisgah Legal Services, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Pisgah Legal Services.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pisgah Legal Services has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PISGAH LEGAL SERVICES

Schedule of Findings and Questioned Costs
December 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported
- Noncompliance material to financial statement noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:
CFDA Number 16.575 - Crime Victim Assistance

The threshold for distinguishing Type A and Type B programs was \$750,000.

Pisgah Legal Services was not determined to be a low-risk auditee.

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

PISGAH LEGAL SERVICES

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

No findings were reported for the year ended December 31, 2016.

A Single Audit was not required for the year ended December 31, 2015.