

Central Virginia Legal Aid Society, Inc.

**Financial Statements
and
Accompanying Information
year ended
December 31, 2016
(with comparative financial information
for the year ended December 31, 2015)**

Central Virginia Legal Aid Society, Inc.

Contents

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11
Accompanying Information	
Schedule of Support, Revenue and Expenses	12
Schedule of Support, Revenue and Expenses, Other Funding	13
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	16
Independent Auditor's Report on Compliance For Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	17-18
Schedule of Findings and Questioned Costs	19

Frank Barcalow CPA, P.L.L.C.
Independent Auditor's Report

Board of Directors
Central Virginia Legal Aid Society, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Central Virginia Legal Aid Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Virginia Legal Aid Society, Inc. as of December 31, 2016, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Central Virginia Legal Aid Society's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; schedule of support, revenue and expenses and schedule of support, revenue and expenses, other funding 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017 on our consideration of Central Virginia Legal Aid Society, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Central Virginia Legal Aid Society, Inc.'s internal control over financial reporting and compliance.

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
March 10, 2017

Statements of Financial Position

December 31, 2016

(With Comparative Financial Information as of December 31, 2015)

Assets

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 548,341	\$ 289,356
Contributions receivable	27,488	61,960
Employee advances	4,218	8,681
Client escrow funds	19,574	37,639
Prepaid expenses	<u>59,898</u>	<u>30,333</u>
Total current assets	<u>659,519</u>	<u>427,969</u>
Property and equipment		
Furniture and equipment	162,585	158,452
Computers	24,304	24,304
Vehicles	28,464	28,464
Law library	<u>1,872</u>	<u>1,872</u>
	217,225	213,092
Less: accumulated depreciation	<u>209,300</u>	<u>195,803</u>
Total property and equipment	<u>7,925</u>	<u>17,289</u>
Other assets		
Security deposits	<u>3,785</u>	<u>1,833</u>
Total assets	<u>\$ 671,229</u>	<u>\$ 447,091</u>

Liabilities and net assets

Current liabilities

Accounts payable	\$ 20,872	\$ 16,058
Accrued expenses	14	2,963
Accrued vacation	93,971	85,583
Unearned support	89,241	21,052
Client escrow deposits	<u>19,574</u>	<u>37,639</u>
Total current liabilities	<u>223,672</u>	<u>163,295</u>

Commitments

Net assets

Unrestricted	358,622	196,345
Temporarily restricted	<u>88,935</u>	<u>87,451</u>
Total net assets	<u>447,557</u>	<u>283,796</u>

Total liabilities and net assets	<u>\$ 671,229</u>	<u>\$ 447,091</u>
---	-------------------	-------------------

See notes to financial statements.

Central Virginia Legal Aid Society, Inc.

-4-

Statement of Activities

Year Ended December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	2016			2015
		Temporarily		
Support and revenue	Unrestricted	Restricted	Total	Total
Federal grants	\$ 476,741	\$ 1,187,204	\$ 1,663,945	\$ 1,401,391
State and local grants	671,959	-	671,959	942,669
Contributions	162,356	-	162,356	125,148
In-kind support	803,161	-	803,161	971,938
Other income	39,218	-	39,218	13,600
	<u>2,153,435</u>	<u>1,187,204</u>	<u>3,340,639</u>	<u>3,454,746</u>
Net assets released from restrictions				
Expiration of time or purpose restrictions	<u>1,185,720</u>	<u>(1,185,720)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,339,155</u>	<u>1,484</u>	<u>3,340,639</u>	<u>3,454,746</u>
Expenses				
Program services				
Legal assistance	2,836,624	-	2,836,624	3,028,005
Supporting services				
Management and general	315,999	-	315,999	273,065
Fund raising	<u>24,255</u>	<u>-</u>	<u>24,255</u>	<u>20,726</u>
Total expenses	<u>3,176,878</u>	<u>-</u>	<u>3,176,878</u>	<u>3,321,796</u>
Change in net assets	162,277	1,484	163,761	132,950
Net assets at beginning of year	<u>196,345</u>	<u>87,451</u>	<u>283,796</u>	<u>150,846</u>
Net assets at end of year	\$ <u><u>358,622</u></u>	\$ <u><u>88,935</u></u>	\$ <u><u>447,557</u></u>	\$ <u><u>283,796</u></u>

See notes to financial statements.

Central Virginia Legal Aid Society, Inc.

-5-

Statement of Functional Expenses

December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	Program Services	Supporting Services	Fundraising Expense	2016 Total Expenses	2015 Total Expenses
Attorney salaries	\$ 566,166	\$ 78,558	\$ 8,925	\$ 653,649	\$ 607,338
Non-attorney legal salaries	546,207	48,551	3,511	598,269	671,485
Fringe benefits	506,803	58,470	5,721	570,994	556,262
Travel	22,293	229	327	22,849	26,552
Occupancy	188,843	21,511	984	211,338	182,043
Donated services and equipment	803,161	-	-	803,161	971,938
Consumables	37,707	4,251	622	42,580	45,450
Insurance	14,906	354	-	15,260	15,690
Leased equipment	11,047	297	-	11,344	4,395
Telephone	55,502	6,190	148	61,840	56,847
Consultants and contractors	4	95,782	-	95,786	47,694
Dues and fees	11,197	-	-	11,197	14,642
Library expense	9,596	-	-	9,596	6,123
Other expense	12,271	1,363	-	13,634	11,501
Temporary services	-	-	-	-	37,731
Equipment maintenance	26,804	229	-	27,033	34,397
Training	8,265	-	-	8,265	2,165
Litigation expense	2,569	-	-	2,569	1,255
Fundraising	-	-	4,017	4,017	1,810
Depreciation	13,283	214	-	13,497	26,478
	<u>\$ 2,836,624</u>	<u>\$ 315,999</u>	<u>\$ 24,255</u>	<u>\$ 3,176,878</u>	<u>\$ 3,321,796</u>

See notes to financial statements.

Central Virginia Legal Aid Society, Inc.

-6-

Statements of Cash Flows

Year Ended December 31, 2016

(With Comparative Financial Information as of December 31, 2015)

Cash flows from operating activities	2016	2015
Change in net assets	\$ 163,761	\$ 132,950
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	13,497	26,478
(Increase) decrease in grants and contributions receivable	34,472	(27,816)
(Increase) decrease in prepaid expenses	(29,565)	(18,039)
(Increase) decrease in employee receivables	4,463	(3,382)
(Increase) decrease in deposits	(1,952)	-
Increase (decrease) in accounts payable	4,814	(22,228)
Increase (decrease) in accrued expenses	(2,951)	(216)
Increase (decrease) in accrued vacation	8,388	12,622
Increase (decrease) in unearned support	68,190	(39,845)
Net cash (used in) provided in operating activities	263,117	60,524
Cash flows used in investing activities		
Acquisition of property and equipment	(4,132)	-
Net increase (decrease) in cash and cash equivalents	258,985	60,524
Cash and cash equivalents, beginning of year	289,356	228,832
Cash and cash equivalents, end of year	\$ 548,341	\$ 289,356
Supplemental disclosure of cash flows information		
Cash paid during the year for interest	\$ -	\$ -

See notes to financial statements.

**Notes to Financial Statements
December 31, 2016**

Note 1 - Summary of significant accounting policies

Nature of organization

Central Virginia Legal Aid Society, Inc.(CVLAS) is a nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance in the central Virginia area including Charlottesville and Petersburg. CVLAS is primarily funded through grants from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a national legal assistance program and Legal Services Corporation of Virginia (LSCV).

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. Historically, there have not been significant differences between the amounts allocated and collected, accordingly, no provision has been made for uncollectible amounts.

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, CVLAS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At the present time, the Organization does not have any permanently restricted net assets.

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 Statements of Cash Flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(continued)

**Notes to Financial Statements
December 31, 2016**

Note 1 - Summary of significant accounting policies (continued)

Support

CVLAS recognizes grant support as awarded. A receivable is recognized upon notification of support. In accordance with the terms of its contract, CVLAS may use unexpended funds in future periods to the extent that expenses incurred are in compliance with the specified terms of the contract. LSC may, at its discretion, request reimbursement or return of funds, or both, as a result of noncompliance by CVLAS with the terms of its contract.

Property and equipment

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

CVLAS follows the practice of capitalizing all expenditures for property and equipment at cost, if cost is in excess of \$1,000. Depreciation of property and equipment is computed on a straight-line basis over the estimated lives of the assets. The estimated useful life of furniture, computers and equipment is 3 to 10 years.

Donated property and services

The value of donated services, representing services rendered by various Corporations and individuals at no charge to the CVLAS, is based on the approximate fair market value of the services received. These services are recognized both as support and expenses, and therefore, do not effect the overall net assets.

Advertising

Advertising costs are expensed as incurred. There was no advertising expense in the current year.

Income taxes

CVLAS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Commonwealth of Virginia taxes. In addition, CVLAS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Allocation of expenses

In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated on the basis of grant dollars of each program.

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

**Notes to Financial Statements
December 31, 2016**

Note 2 - Accumulated depreciation

Accumulated depreciation for LSC property and equipment by category is shown in the following tabulation:

	<u>2016</u>	<u>2015</u>
Computers	\$ 24 304	\$ 24 304
Vehicles	28 464	28 464
Law Library	1 872	1 872
Furniture and equipment	<u>154 660</u>	<u>141 163</u>
	<u>\$ 209 300</u>	<u>\$ 195 803</u>

Depreciation expense for the current year was \$13,497.

Note 3 - Concentration of funding

The Organization's operations are funded principally through general purpose contracts from Legal Services Corporation (LSC) (55% of total income) and Legal Services Corporation of Virginia (LSCV) (22% of total income). The grant contract and other activity for the current year are summarized as follows:

Legal Services Corporation	<u>Recipient Number</u>	<u>Period</u>	<u>2016</u>
Basic	443030	1/1/16 - 12/31/16	\$ 1 187 204
TIG Grant - Justice Server			48 235
Migrant			<u>161 828</u>
			<u>1 397 267</u>

Legal Services Corporation of Va.

Virginia Filing Fees	\$ <u>558 678</u>
----------------------	-------------------

Note 4 - Private Attorney Involvement (PAI)

LSC regulations require that 12.5% of the basic LSC grant be allocated to private attorney involvement. LSC funding of \$1,187,204 times 12.5% produces the minimum requirement of \$148,400. The Organization expended \$166,333 for the year ended December 31, 2016. The amount expended was \$17,933 more than required.

Note 5 - Retirement plan

The Organization has a voluntary tax deferred annuity plan for all qualified employees. The Organization does not currently contribute to the plan.

**Notes to Financial Statements
December 31, 2016****Note 6 - Commitments**

CVLAS rents office space for its Richmond and Petersburg offices under long-term leases. CVLAS has a month to month leases in Charlottesville. The minimum annual rental payments over the remaining term of the original leases are as follows:

2017	\$ 152 034
2018	50 230
2019	41 289
2020	<u>40 452</u>
	<u>\$ 284 005</u>

Rent expense paid was \$185,669.

Note 7 - Concentration of credit risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and unsecured receivables. Cash accounts are maintained in several financial institutions in Central Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Organization up to \$250,000. Cash balances exceed insured amounts from time to time, but management believe the risk is minimal.

Accounts receivable from grant funding also potentially subject the Organization to concentration of credit risk but management believe the risk is minimal based on historic experience with the grantors.

Note 8 - Donated services

The value of donated legal services for the year ended December 31, 2016 is as follows:

Donated Legal Services	\$ <u>803 161</u>
------------------------	-------------------

Note 9 - Temporarily restricted net assets

Temporarily restricted net assets totaled \$88,935 as of December 31, 2016 from Legal Services Corporation.

Temporarily restricted net assets released totaled \$1,185,720 and consisted of revenue received from Legal Services Corporation.

**Notes to Financial Statements
December 31, 2016**

Note 10 - Net assets

CVLAS may carryforward 20% of its LSCVA support and 10% of its LSC support from the present contracts to the next immediate fiscal year. Balances greater than the above have to be approved by the funding source. There were no amounts over the maximum net assets allowed for the current year.

Note 11 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 10, 2017 the date the financial statements were issued.

Note 12 - Fair value measurements

The Organization records fair value adjustments to certain assets and liabilities and determines 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 under this standard based on these three types of inputs 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 liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Accompanying Information

Central Virginia Legal Aid Society, Inc.

Schedule of Support, Revenue and Expenses

Year Ended December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

-12-

	2016								
	Restricted			Unrestricted					
	Legal Services Corporation	Private Attorney Involvement	Migrant Grant	Legal Services Corporation TIG Grant Justice Server	Legal Services Corporation Property	Total Legal Services Corporation	Other Funding	Total 2016	Total 2015
Support and revenue									
Grants	\$ 1,038,804	\$ 148,400	\$ 161,828	\$ 48,235	\$ -	\$ 1,397,267	\$ 927,470	\$ 2,324,737	\$ 2,344,060
Contributions	-	-	-	-	-	-	162,356	162,356	125,148
Other income	5,683	-	-	-	-	5,683	44,702	50,385	13,600
Donated services	-	803,161	-	-	-	803,161	-	803,161	971,938
Net assets released from expiration of time restrictions	-	-	-	-	-	-	-	-	-
Total support and revenue	1,044,487	951,561	161,828	48,235	-	2,206,111	1,134,528	3,340,639	3,454,746
Expenses									
Attorney salaries	305,615	8,542	72,426	-	-	386,583	267,066	653,649	607,338
Non-attorney legal salaries	245,110	77,731	27,455	-	-	350,296	247,973	598,269	671,485
Fringe benefits	267,136	39,686	45,945	-	-	352,767	218,227	570,994	556,262
Travel	10,511	1,599	1,828	-	-	13,938	8,911	22,849	26,552
Occupancy	97,215	14,794	16,907	-	-	128,916	82,422	211,338	182,043
Donated services and equipment	-	803,161	-	-	-	803,161	-	803,161	971,938
Consumables	19,587	2,981	3,406	-	-	25,974	16,606	42,580	45,450
Insurance	7,020	-	1,220	-	-	8,240	7,020	15,260	15,690
Leased equipment	5,218	-	-	-	-	5,218	6,126	11,344	4,395
Telephone	28,446	-	4,947	-	-	33,393	28,447	61,840	56,847
Consultants and contractors	3,215	21,000	-	48,235	-	72,450	23,336	95,786	47,694
Dues and fees	-	-	-	-	-	-	11,197	11,197	14,642
Library expense	6,272	-	-	-	-	6,272	3,324	9,596	6,123
Other expense	-	-	-	-	-	-	13,634	13,634	11,501
Temporary services	-	-	-	-	-	-	-	-	37,731
Equipment maintenance	12,435	-	-	-	-	12,435	14,598	27,033	34,397
Training	3,802	-	-	-	-	3,802	4,463	8,265	2,165
Litigation expense	1,182	-	-	-	-	1,182	1,387	2,569	1,255
Advertising and fundraising	-	-	-	-	-	-	4,017	4,017	1,810
Depreciation	-	-	-	-	13,497	13,497	-	13,497	26,478
Total expenses	1,012,764	969,494	174,134	48,235	13,497	2,218,124	958,754	3,176,878	3,321,796
Change in net assets	31,723	(17,933)	(12,306)	-	(13,497)	(12,013)	175,774	163,761	132,950
Other changes in net assets									
Transfers	(17,933)	17,933	-	-	-	-	-	-	-
Purchase of equipment	(4,132)	-	-	-	4,132	-	-	-	-
Net assets at beginning of year	57,583	-	29,868	-	17,290	104,741	179,055	283,796	150,846
Net assets at end of year	\$ 67,241	\$ -	\$ 17,562	\$ -	\$ 7,925	\$ 92,728	\$ 354,829	\$ 447,557	\$ 283,796

Central Virginia Legal Aid Society, Inc.

-13-

Schedule of Support, Revenue and Expenses, Other Funding Year Ended December 31, 2016

	Unrestricted							
	Legal Services Corporation of Virginia Filing Fees	United Way	Crater Agency on Aging	Navigator Grant	Senior Services Grant	City of Richmond	Other Income	Total
Support and revenue								
Grant	\$ 558,678	\$ -	\$ 1,001	\$ 239,677	\$ 26,000	\$ 58,806	\$ 43,308	\$ 927,470
Contributions	-	5,484	-	-	-	-	156,872	162,356
Other income	-	-	-	-	-	-	44,702	44,702
Net assets released from expiration of time restrictions	-	-	-	-	-	-	-	-
Total support and revenue	<u>558,678</u>	<u>5,484</u>	<u>1,001</u>	<u>239,677</u>	<u>26,000</u>	<u>58,806</u>	<u>244,882</u>	<u>1,134,528</u>
Expenses								
Attorney salaries	184,245	5,484	1,001	-	26,000	28,221	22,115	267,066
Non-attorney legal salaries	60,880	-	-	158,866	-	12,112	16,115	247,973
Fringe benefits	131,956	-	-	62,720	-	18,473	5,078	218,227
Travel	-	-	-	8,911	-	-	-	8,911
Occupancy	82,422	-	-	-	-	-	-	82,422
Donated services and equipment	-	-	-	-	-	-	-	-
Consumables	12,326	-	-	4,280	-	-	-	16,606
Insurance	7,020	-	-	-	-	-	-	7,020
Leased equipment	6,126	-	-	-	-	-	-	6,126
Telephone	23,547	-	-	4,900	-	-	-	28,447
Consultants and contractors	23,336	-	-	-	-	-	-	23,336
Dues and fees	11,197	-	-	-	-	-	-	11,197
Library expense	3,324	-	-	-	-	-	-	3,324
Other expense	13,634	-	-	-	-	-	-	13,634
Temporary services	-	-	-	-	-	-	-	-
Equipment maintenance	14,598	-	-	-	-	-	-	14,598
Training	4,463	-	-	-	-	-	-	4,463
Litigation expense	1,387	-	-	-	-	-	-	1,387
Fundraising	4,017	-	-	-	-	-	-	4,017
Depreciation	-	-	-	-	-	-	-	-
Total expenses	<u>584,478</u>	<u>5,484</u>	<u>1,001</u>	<u>239,677</u>	<u>26,000</u>	<u>58,806</u>	<u>43,308</u>	<u>958,754</u>
Change in net assets	(25,800)	-	-	-	-	-	201,574	175,774
Net assets at beginning of year	<u>176,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126</u>	<u>179,055</u>
Net assets at end of year	<u>\$ 151,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,700</u>	<u>\$ 354,829</u>

Central Virginia Legal Aid Society, Inc.

-14-

Schedule of Expenditures of Federal Awards Year Ended December 31, 2016

<u>Federal Granting Agency/Recipient Agency/Grant Program</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation Basic field grant and migrant grant	9.447030	\$ 1 405 598
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services to support Navigators for Virginia's Federally-Facilitated Marketplace	93.332	239 677
U.S. Department of Health & Human Services Pass-through from Department on Aging Title III	93.282	<u>27 001</u>
		\$ <u><u>1 672 276</u></u>

The accompanying notes are an integral part of this schedule.

**Notes to Financial Statements
December 31, 2016**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Central Virginia Legal Aid Society, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Legal Services Corporation Audit Guide and Compliance Supplements. Because the Schedule presents only a selected portion of the operations of Central Virginia Legal Aid Society, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Central Virginia Legal Aid Society, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Central Virginia Legal Aid Society, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Central Virginia Legal Aid Society, Inc.
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Virginia Legal Aid Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 March 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Virginia Legal Aid Society, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Virginia Legal Aid Society, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
March 10, 2017

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

Board of Directors
Central Virginia Legal Aid Society, Inc.
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Central Virginia Legal Aid Society, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Central Virginia Legal Aid Society, Inc.'s major federal programs for the year ended December 31, 2016. Central Virginia Legal Aid Society, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Legal Central Virginia Legal Aid Society, Inc.'s 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 Central Virginia Legal Aid Society, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Virginia Legal Aid Society, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Central Virginia Legal Aid Society, Inc. 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, 2016.

Report on Internal Control Over Compliance

Management of Central Virginia Legal Aid Society, Inc. 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 Central Virginia Legal Aid Society, Inc.'s 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 Central Virginia Legal Aid Society, Inc.'s internal control over compliance.

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

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

The 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.

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
March 10, 2017

Central Virginia Legal Aid Society, Inc.

-19-

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

A - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

Noncompliance material to financial statements noted? _____yes Xno

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported

in accordance with section 2 CFR-200.516(a) _____yes Xno

Identification of major programs:

Name of federal program

CDFA Number

Legal Services Corporation

Basic Field Grant recipient # 447030 9.447030

Dollar threshold used to distinguish between Type A

and Type B Programs 750,000

Auditee qualified as low risk? _____yes Xno

B. Findings - financial statement audit

None

C. Findings and questioned costs - major federal awards programs audit

None