

**VIRGINIA POVERTY LAW CENTER, INC.**

**Financial Statements  
and  
Accompanying Information  
for years ended  
June 30, 2016 and 2015**

Tax Exempt Providers of Legal Services Support

Draft - Subject to Review and Discussion

# VIRGINIA POVERTY LAW CENTER, INC.

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Draft - Subject to Review and Discussion

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

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Poverty Law Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Virginia Poverty Law Center, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***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 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* and statement of support, revenue and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of Virginia Poverty Law 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 Virginia Poverty Law Inc.'s internal control over financial reporting and compliance.

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

Frank J, Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
December 2, 2016

# VIRGINIA POVERTY LAW CENTER, INC.

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## Statements of Financial Position June 30, 2016 and 2015

### Assets

	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 301,465	\$ 649,431
Investments	1,927,581	312,617
Accounts receivable	492,528	27,816
Prepaid expenses	26,986	5,826
Deposits	<u>5,571</u>	<u>5,571</u>
<b>Total current assets</b>	<u>2,754,131</u>	<u>1,001,261</u>
<b>Property and equipment</b>		
Furniture and equipment	228,268	228,268
Less accumulated depreciation	<u>226,139</u>	<u>224,202</u>
<b>Total property and equipment, net</b>	<u>2,129</u>	<u>4,066</u>
<b>Total assets</b>	<u>\$ 2,756,260</u>	<u>\$ 1,005,327</u>

### Liabilities and Net Assets

#### Current liabilities

Accounts payable	\$ 353,794	\$ 308,030
Accrued vacation	59,646	45,461
Unearned revenue	8,775	50,000
Accrued severance payable	<u>74,096</u>	<u>74,077</u>

**Total current liabilities** 496,311 477,568

#### Commitments

Net assets, unrestricted	<u>2,259,949</u>	<u>527,759</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,756,260</u>	<u>\$ 1,005,327</u>

See notes to financial statements.

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# VIRGINIA POVERTY LAW CENTER, INC.

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## Statements of Activities For the Years Ended June 30, 2016 and 2015

	2016	2015
<b>Support and revenue</b>		
Grant income	\$ 5,235,194	\$ 4,524,878
Other income	49,160	57,411
Cy Pres Awards	1,934,349	-
Unrealized gain (loss) on investments	(8,566)	(16,572)
Investment income	5,207	18,041
	<u>7,215,344</u>	<u>4,583,758</u>
<b>Total support and revenue</b>		
	<u>7,215,344</u>	<u>4,583,758</u>
<b>Expenses</b>		
Program Services		
Legal training and support	5,276,259	4,287,019
Supporting services		
Management and general	177,857	157,516
Fundraising expense	29,038	4,893
	<u>5,483,154</u>	<u>4,449,428</u>
<b>Total expenses</b>		
	<u>5,483,154</u>	<u>4,449,428</u>
<b>Change in net assets</b>	1,732,190	134,330
Net assets at beginning of year, unrestricted	<u>527,759</u>	<u>393,429</u>
Net assets at end of year, unrestricted	\$ <u><u>2,259,949</u></u>	\$ <u><u>527,759</u></u>

See notes to financial statements.

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Statements of Functional Expenses  
June 30, 2015 and 2014

For the Year ended June 30, 2015

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	\$ 1,257,490	\$ 140,111	\$ 3,511	\$ 1,401,112
Travel	30,051	3,356	156	33,563
Space cost	73,229	8,137	-	81,365
Consumable supplies	38,831	4,343	256	43,429
Purchase and maintenance of equipment	30,414	3,379	-	33,793
Training	29,938	3,326	-	33,264
Other direct costs	61,731	9,650	25,115	96,495
Professional services	48,252	5,361	-	53,613
Navigator sub-grant expense	3,701,991	-	-	3,701,991
Website	2,592	-	-	2,592
Depreciation expense	1,743	194	-	1,937
<b>Total expenses</b>	<b>\$ 5,276,259</b>	<b>\$ 177,857</b>	<b>\$ 29,038</b>	<b>\$ 5,483,154</b>

For the Year ended June 30, 2015

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	\$ 1,089,363	\$ 108,130	\$ 3,955	\$ 1,201,448
Travel	17,378	1,536	287	19,201
Space cost	62,196	5,408	-	67,604
Consumable supplies	23,179	2,945	651	26,775
Purchase and maintenance of equipment	16,480	2,908	-	19,388
Training	39,254	598	-	39,852
Other direct costs	110,287	13,632	-	123,919
Professional services	11,965	22,221	-	34,186
Navigator sub-grant expense	2,911,374	-	-	2,911,374
Website	2,914	-	-	2,914
Depreciation expense	2,629	138	-	2,767
<b>Total expenses</b>	<b>\$ 4,287,019</b>	<b>\$ 157,516</b>	<b>\$ 4,893</b>	<b>\$ 4,449,428</b>

See notes to financial statements.

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# VIRGINIA POVERTY LAW CENTER, INC.

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## Statements of Cash Flows For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,732,190	\$ 134,330
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	1,937	2,767
Unrealized gain (loss) on investments	(8,566)	(16,572)
(Increase) decrease in accounts receivable	(464,713)	191,329
(Increase) decrease in prepaid expense	(21,160)	5,351
Increase (decrease) in accounts payable	45,765	90,725
Increase (decrease) in accrued vacation	14,184	9,440
Increase (decrease) in severance payable	20	7,577
Increase (decrease) in amount held for others	-	-
Increase (decrease) in unearned support	(41,225)	(50,000)
	<u>1,258,432</u>	<u>374,947</u>
<b>Net cash provided by (used in) operations</b>		
	<u>1,258,432</u>	<u>374,947</u>
<b>Cash flows used in (provided by) investing activities</b>		
Purchase of equipment	-	-
Purchase of investments	(1,606,398)	(879)
Sale of investments	-	120,000
	<u>(1,606,398)</u>	<u>119,121</u>
<b>Net cash provided (used in) investing activities</b>		
	<u>(1,606,398)</u>	<u>119,121</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(347,966)	494,068
Cash and cash equivalents at beginning of year	<u>649,431</u>	<u>155,363</u>
Cash and cash equivalents at end of year	\$ <u><u>301,465</u></u>	\$ <u><u>649,431</u></u>

See notes to financial statements.

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**Notes to Financial Statements  
June 30, 2016 and 2015**

**Note 1 - Summary of significant accounting policies**

*Nature of activities*

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

*Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States. Under generally accepted accounting principles, Virginia Poverty Law Center, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At the present time, the Center does not have any permanently or temporarily 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 statement of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying amounts reported in the statements of financial position approximates fair values.

*Accounts receivable*

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

*Grant support*

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

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(continued)

# VIRGINIA POVERTY LAW CENTER, INC.

## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Summary of significant accounting policies (concluded)

#### *Property and equipment*

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

#### *Allocation of expenses*

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

#### *Income taxes*

Virginia Poverty Law Center, Inc. is a non-profit charitable organization as defined by Internal Revenue Code Section 501(c)(3) and is not subject to federal or state income taxes. The Center is not considered to be a private foundation within the meaning of Section 509(a) of the Code.

#### *Investments*

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

### Note 2 - Commitments

The Center rents office space under a sublease for ninety-three months with a starting monthly lease of \$4,665 per month. The lease payments increase by 3% every twelve months. The lease term ends December 31, 2021. Rental expense for 2016 was \$81,365 and for 2015 was \$67,604.

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

2017	\$	59 835
2018		61 617
2019		63 459
2020		65 359
2021		67 318
Thereafter		<u>34 410</u>

# VIRGINIA POVERTY LAW CENTER, INC.

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 3 - Investments

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for investments at June 30, 2016 and 2015 are as follows:

	2016			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Mutual funds	\$ 144 850	\$ 19 658	\$ 12 839	\$ 151 669
Certificate of deposits	<u>1 775 912</u>	<u>-</u>	<u>-</u>	<u>1 775 912</u>
	<u>\$ 1 920 0762</u>	<u>\$ 19 658</u>	<u>\$ 12 839</u>	<u>\$1 927 581</u>

  

	2015			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Mutual funds	\$ 229 499	\$ 36 632	\$ 3 861	\$ 262 270
Certificate of deposits	<u>50 347</u>	<u>-</u>	<u>-</u>	<u>50 347</u>
	<u>\$ 279 846</u>	<u>\$ 36 632</u>	<u>\$ 3 861</u>	<u>\$ 312 617</u>

Total interest earned in the current year totaled \$5,207 and the prior year totaled \$18,041.

### Note 4 - Grants concentration

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

	<u>2016</u>	<u>2015</u>
Legal Services Corporation of Virginia (IOLTA)	\$ 740 413	\$ 725 895
ACA and related grants	4 244 216	1 017 598

### Note 5 - Pension plan

The Center adopted a pension plan which qualifies under Section 403(b) of the Internal Revenue Code, in which employees may elect to have amounts withheld from their salaries and invested in tax deferred annuities. The Center contributes up to 8% of the employees' salary. Expenses under this plan totaled \$11,316 in 2016 and \$18,565 in 2015.

**Notes to Financial Statements  
June 30, 2016 and 2015**

**Note 6 - Concentration of credit risk**

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

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

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

**Note 7 - Fair value measurements**

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

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

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

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

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

**Note 8 - Subsequent events**

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 2, 2016 the date the financial statements were issued.

Subsequent to year end the Center signed a lease for additional office space.

## **Accompanying Information**

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**VIRGINIA POVERTY LAW CENTER, INC.**

**Statement of Support, Revenue and Expenses**

**For the Year Ended June 30, 2016**

**(With Summarized Financial Information for the Year Ended June 30, 2015)**

	2016									2015
	Legal Services Corporation of Virginia IOLTA	Domestic Violence Grant	Other Grants	ACA Healthcare Grants	CHEP Grant	IPA Grant	Property and Equipment	General	Total	Total
<b>Support and revenue</b>										
Grants and contracts	\$ 740,413	\$ 21,894	\$ 240,671	\$ 2,028,402	\$ 553,330	\$ 1,662,484	\$ -	\$ -	\$ 5,247,194	\$ 4,524,878
Other income	-	-	-	-	-	-	-	37,160	37,160	57,411
Cy Pres awards	-	-	-	-	-	-	-	1,934,349	1,934,349	-
Unrealized gains (losses)	-	-	-	-	-	-	-	(8,566)	(8,566)	(16,572)
Interest income	-	-	-	-	-	-	-	5,207	5,207	18,041
<b>Total support and revenue</b>	<u>740,413</u>	<u>21,894</u>	<u>240,671</u>	<u>2,028,402</u>	<u>553,330</u>	<u>1,662,484</u>	<u>-</u>	<u>1,968,150</u>	<u>7,215,344</u>	<u>4,583,758</u>
<b>Expenses</b>										
Personnel	363,981	21,894	235,734	314,892	-	259,610	-	205,001	1,401,112	1,201,448
Travel	33,563	-	-	-	-	-	-	-	33,563	19,201
Space cost	81,365	-	-	-	-	-	-	-	81,365	67,604
Consumable supplies	43,429	-	-	-	-	-	-	-	43,429	26,774
Purchase and maintenance of equipment	33,793	-	-	-	-	-	-	-	33,793	19,388
Training	33,264	-	-	-	-	-	-	-	33,264	39,852
Other direct costs	91,558	-	4,937	-	-	-	-	-	96,495	123,920
Professional services	47,913	-	-	5,700	-	-	-	-	53,613	34,186
Navigator sub-grant expense	-	-	-	1,607,958	721,588	1,372,445	-	-	3,701,991	2,911,374
Website	2,592	-	-	-	-	-	-	-	2,592	2,914
Depreciation expense	-	-	-	-	-	-	1,937	-	1,937	2,767
<b>Total expenses</b>	<u>731,458</u>	<u>21,894</u>	<u>240,671</u>	<u>1,928,550</u>	<u>721,588</u>	<u>1,632,055</u>	<u>1,937</u>	<u>205,001</u>	<u>5,483,154</u>	<u>4,449,428</u>
<b>Change in net assets</b>	8,955	-	-	99,852	(168,258)	30,429	(1,937)	1,763,149	1,732,190	134,330
<b>Net assets at beginning of year</b>	40,240	-	-	(99,852)	168,258	(30,429)	4,066	445,476	527,759	393,429
Acquisition of equipment	-	-	-	-	-	-	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 49,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,129</u>	<u>\$ 2,208,625</u>	<u>\$ 2,259,949</u>	<u>\$ 527,759</u>

# Virginia Poverty Law Center

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## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Cooperative agreement to support navigators in Federally - facilitated And State Partnership exchanges	93.750	<u>1 928 550</u>
Total Expenditures of Federal Awards		\$ <u>1 928 550</u>

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The accompanying notes are an integral part of this schedule

**Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2016**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Virginia Poverty Law Center, Inc. under programs of the federal government for the year ended June 30, 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 Virginia Poverty Law Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Poverty Law Center, 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.

Virginia Poverty Law Center, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Sub-recipient**

Funding was provided from Department of Human Services Navigator grants to sub-recipients in the amount of \$1,564,895 for the current year.

**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  
Virginia Poverty Law Center, 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 Virginia Poverty Law Center Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 December 2, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Virginia Poverty Law Center 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 Virginia Poverty Law Center 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 Virginia Poverty Law Center 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.

Draft, Subject to Review and Discussion

*Frank Barcalow CPA, P.L.L.C.*  
Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
December 2, 2016

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Virginia Poverty Law Center 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 Virginia Poverty Law Center, Inc.'s major federal programs for the year ended June 30, 2016. Virginia Poverty Law Center, 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Virginia Poverty Law Center, 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 Virginia Poverty Law Center, 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 Virginia Poverty Law Center, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Virginia Poverty Law Center, 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 June 30, 2016.

**Report on Internal Control Over Compliance**

Management of Virginia Poverty Law Center, 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 Virginia Poverty Law Center, 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 Virginia Poverty Law Center, Inc.'s internal control over compliance.

Draft Subject to Review and Discussion

*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

December 2, 2016

Draft - Subject to Review and Discussion

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 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  X no

Significant deficiency(ies) identified? \_\_\_\_\_yes  X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes  X no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_yes  X no

Significant deficiency(ies) identified? \_\_\_\_\_yes  X none 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  X no

Identification of major programs:

<u>Name of federal program</u>	<u>CDFA Number</u>
Virginia Poverty Law Center Cooperative agreement to support navigators in Federally facilitated and state partnership exchanges	93.750

Dollar threshold used to distinguish between Type A  
and Type B Programs 750,000

Auditee qualified as low risk? \_\_\_\_\_yes  X no

**B. Findings - financial statement audit**

None

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

None