

VIRGINIA POVERTY LAW CENTER, INC.

**Financial Statements
and
Accompanying Information
for years ended
June 30, 2015 and 2014**

Tax Exempt Providers of Legal Services Support

Draft - Subject to Review and Discussion

VIRGINIA POVERTY LAW CENTER, INC.

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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, 2015 and 2014, 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, 2015 and 2014, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; schedule of support, revenue and expenses 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 on our consideration of Virginia Poverty Law Center'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 Center'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 9, 2015

VIRGINIA POVERTY LAW CENTER, INC.

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Statements of Financial Position June 30, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 649,431	\$ 58,548
Investments	312,617	411,983
Accounts receivable	27,816	219,146
Prepaid expenses	5,826	11,177
Deposits	<u>5,571</u>	<u>5,571</u>
Total current assets	<u>1,001,261</u>	<u>706,425</u>
Property and equipment		
Furniture and equipment	228,268	228,268
Less accumulated depreciation	<u>224,202</u>	<u>221,435</u>
Total property and equipment, net	<u>4,066</u>	<u>6,833</u>
Total assets	<u>\$ 1,005,327</u>	<u>\$ 713,258</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 308,030	\$ 217,307
Accrued vacation	45,461	36,022
Unearned revenue	50,000	-
Accrued severance payable	<u>74,077</u>	<u>66,500</u>
Total current liabilities	<u>477,568</u>	<u>319,829</u>

Commitments

Net assets, unrestricted	<u>527,759</u>	<u>393,429</u>
Total liabilities and net assets	<u>\$ 1,005,327</u>	<u>\$ 713,258</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, 2015 and 2014

	2015	2014
Support and revenue		
Grant income	\$ 4,524,878	\$ 2,126,136
Other income	57,411	68,188
Unrealized gain (loss) on investments	(16,572)	27,969
Investment income	<u>18,041</u>	<u>13,412</u>
Total support and revenue	<u>4,583,758</u>	<u>2,235,705</u>
Expenses		
Program Services		
Legal training and support	4,287,019	1,995,300
Supporting services		
Management and general	157,516	130,348
Fundraising expense	<u>4,893</u>	<u>4,999</u>
Total expenses	<u>4,449,428</u>	<u>2,130,647</u>
Change in net assets	134,330	105,058
Net assets at beginning of year, unrestricted	<u>393,429</u>	<u>288,371</u>
Net assets at end of year, unrestricted	<u>\$ 527,759</u>	<u>\$ 393,429</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	\$ 1,089,363	\$ 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	26,774
Purchase and maintenance of equipment	16,480	2,908	-	19,388
Training	39,254	598	-	39,852
Other direct costs	110,289	13,631	-	123,920
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
Total expenses	\$ 4,287,019	\$ 157,516	\$ 4,893	\$ 4,449,428

For the Year ended June 30, 2014

	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Personnel	\$ 850,464	\$ 84,497	\$ 3,895	\$ 938,856
Travel	22,229	1,964	351	24,544
Space cost	48,014	4,175	-	52,189
Consumable supplies	13,969	1,820	753	16,542
Purchase and maintenance of equipment	19,155	3,380	-	22,535
Training	71,739	1,092	-	72,831
Other direct costs	42,190	5,214	-	47,404
Professional services	15,116	28,072	-	43,188
Website	900,556	-	-	900,556
Moving expense	9,332	-	-	9,332
Depreciation expense	2,536	134	-	2,670
Total expenses	\$ 1,995,300	\$ 130,348	\$ 4,999	\$ 2,130,647

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VIRGINIA POVERTY LAW CENTER, INC.

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Statements of Cash Flows For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 134,330	\$ 105,058
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	2,767	2,670
Unrealized gain (loss) on investments	(16,572)	27,969
(Increase) decrease in accounts receivable	191,329	(195,137)
(Increase) decrease in prepaid expense	5,351	3,192
(Increase) decrease in deposits	-	230
Increase (decrease) in accounts payable	90,725	211,405
Increase (decrease) in accrued vacation	9,440	2,439
Increase (decrease) in severance payable	7,577	3,373
Increase (decrease) in amount held for others	-	(54,221)
Increase (decrease) in unearned support	(50,000)	(88,750)
	<u>374,947</u>	<u>18,228</u>
Net cash provided by (used in) operations		
	<u>374,947</u>	<u>18,228</u>
Cash flows used in (provided by) investing activities		
Purchase of equipment	-	(2,782)
Purchase of investments	(879)	(112,261)
Sale of investments	120,000	-
	<u>119,121</u>	<u>(115,043)</u>
Net cash provided (used in) investing activities		
	<u>119,121</u>	<u>(115,043)</u>
Net increase (decrease) in cash and cash equivalents	494,068	(96,815)
Cash and cash equivalents at beginning of year	<u>155,363</u>	<u>155,363</u>
Cash and cash equivalents at end of year	\$ <u><u>649,431</u></u>	\$ <u><u>58,548</u></u>

See notes to financial statements.

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**Notes to Financial Statements
June 30, 2015 and 2014**

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, 2015 and 2014

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 2015 was \$67,604 and for 2014 was \$52,189.

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

2016	\$	58 089
2017		59 835
2018		61 617
2019		63 459
2020		65 359
Thereafter		<u>101 729</u>

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~~\$ 410,088~~

VIRGINIA POVERTY LAW CENTER, INC.

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Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Investments

The aggregate fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for investments at June 30, 2015 and 2014 are as follows:

	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>

	2014			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Mutual funds	\$ 294 367	\$ 67 192	\$ -	\$ 361 559
Certificate of deposits	<u>50 424</u>	<u>-</u>	<u>-</u>	<u>50 424</u>
	<u>\$ 344 791</u>	<u>\$ 67 192</u>	<u>\$ -</u>	<u>\$ 411 983</u>

Total interest earned in the current year totaled \$18,041 and the prior year totaled \$13,412.

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>2015</u>	<u>2014</u>
Legal Services Corporation of Virginia (IOLTA)	\$ 725 895	\$ 725 895
ACA and related grants	3 189 595	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 \$18,565 in 2015 and \$17,076 in 2014.

**Notes to Financial Statements
June 30, 2015 and 2014**

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 9, 2015 the date the financial statements were issued.

Accompanying Information

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VIRGINIA POVERTY LAW CENTER, INC.

Statement of Support, Revenue and Expenses

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015										2014
	Legal Services Corporation of Virginia IOLTA	Virginia Law Foundation	Domestic Violence Grant	Other Grants	ACA Healthcare Grants	CHEP Grant	IPA Grant	Property and Equipment	General	Total	Total
Support and revenue											
Grants and contracts	\$ 725,895	\$ 30,000	\$ 5,677	\$ 407,179	\$ 1,070,218	\$ 1,141,374	\$ 1,144,535	\$ -	\$ -	\$ 4,524,878	\$ 2,126,136
Other income	-	-	-	-	-	-	-	-	57,411	57,411	68,188
Unrealized gains (losses)	-	-	-	-	-	-	-	-	(16,572)	(16,572)	27,969
Interest income	-	-	-	-	-	-	-	-	18,041	18,041	13,412
Total support and revenue	<u>725,895</u>	<u>30,000</u>	<u>5,677</u>	<u>407,179</u>	<u>1,070,218</u>	<u>1,141,374</u>	<u>1,144,535</u>	<u>-</u>	<u>58,880</u>	<u>4,583,758</u>	<u>2,235,705</u>
Expenses											
Personnel	435,399	-	5,677	387,628	173,803	124,400	74,541	-	-	1,201,448	938,856
Travel	19,201	-	-	-	-	-	-	-	-	19,201	24,544
Space cost	67,604	-	-	-	-	-	-	-	-	67,604	52,189
Consumable supplies	26,774	-	-	-	-	-	-	-	-	26,774	16,542
Purchase and maintenance of equipment	19,388	-	-	-	-	-	-	-	-	19,388	22,535
Training	9,852	30,000	-	-	-	-	-	-	-	39,852	72,831
Other direct costs	76,037	-	-	19,551	6,124	19,416	2,792	-	-	123,920	47,404
Professional services	28,486	-	-	-	5,700	-	-	-	-	34,186	43,188
Navigator sub-grant expense	-	-	-	-	984,443	829,300	1,097,631	-	-	2,911,374	900,556
Website	2,914	-	-	-	-	-	-	-	-	2,914	-
Moving expenses	-	-	-	-	-	-	-	-	-	-	9,332
Depreciation expense	-	-	-	-	-	-	-	2,767	-	2,767	2,670
Total expenses	<u>685,655</u>	<u>30,000</u>	<u>5,677</u>	<u>407,179</u>	<u>1,170,070</u>	<u>973,116</u>	<u>1,174,964</u>	<u>2,767</u>	<u>-</u>	<u>4,449,428</u>	<u>2,130,647</u>
Change in net assets	40,240	-	-	-	(99,852)	168,258	(30,429)	(2,767)	58,880	134,330	105,058
Net assets at beginning of year	-	-	-	-	-	-	-	6,833	386,596	393,429	288,371
Acquisition of equipment	-	-	-	-	-	-	-	-	-	-	-
Net assets at end of year	<u>\$ 40,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,852)</u>	<u>\$ 168,258</u>	<u>\$ (30,429)</u>	<u>\$ 4,066</u>	<u>\$ 445,476</u>	<u>\$ 527,759</u>	<u>\$ 393,429</u>

Virginia Poverty Law Center

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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

<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>1 170 070</u>
Total Expenditures of Federal Awards		\$ <u>1 170 070</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, 2015**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Virginia Poverty Law Center, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"* and Legal Services Corporation Audit Guide and Compliance Supplements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Sub-recipient

Funding was provided from Department of Human Services Navigator grants to sub-recipients in the amount of \$984,443 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, 2015, and the related statements of activities, statements of 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 9, 2015.

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.

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

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
December 9, 2015

Draft Subject to Review and Discussion

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 A-133 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, 2015. 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 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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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.

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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 OMB Circular A-133. 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 9, 2015

Draft - Subject to Review and Discussion

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

A. Summary of audit results

- 1. The auditor's report expresses an unqualified opinion on the financial statements of Virginia Poverty Law Center, Inc.
2. No significant deficiencies in internal control or material weaknesses disclosed by the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Virginia Poverty Law Center, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control related to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Virginia Poverty Law Center, Inc. expresses an unqualified opinion.
6. No audit findings were reported that are required to be disclosed in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were:

Table with 2 columns: Name of Program, CFDA#. Row 1: Virginia Poverty Law Center Cooperative agreement to support navigators in Federally facilitated and state partnership exchanges, 93.750

- 8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Virginia Poverty Law Center Inc. was not determined to be a low risk auditee.

B. Findings - financial statement audit

None

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

None