

**VIRGINIA LEGAL AID SOCIETY, INC.**

Financial Statements

For the Year Ended June 30, 2021



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## **INDEPENDENT AUDITOR'S REPORTS**

To the Board of Directors of  
Virginia Legal Aid Society, Inc.

### **Report on the Financial Statements**

#### **Identification of Audited Financial Statements**

We have audited the accompanying financial statements of Virginia Legal Aid Society, Inc. (the "Society"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses 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 the aforementioned financial statements in accordance with accounting principles generally accepted in the United States of America, which 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 the aforementioned financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. Some of the audit procedures performed are required by U.S. generally accepted auditing standards, while others depend on the auditor's judgment. The procedures performed include 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.

continued

**INDEPENDENT AUDITOR'S REPORTS, continued**

**Opinion**

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Society, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Society's financial statements as of and for the year ended June 30, 2020, and our report dated December 17, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information as of and for the year ended June 30, 2020, and which is presented with the aforementioned financial statements as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Coley, Eubank & Company, P.C.*

Lynchburg, Virginia  
October 28, 2021



**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Statement of Financial Position**  
**June 30, 2021**  
**With Comparative Totals for June 30, 2020**

**Assets**

	<u>2021</u>	<u>2020</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,244,522	\$ 1,019,126
Cash in escrow, client deposits	3,625	7,577
Investments, certificates of deposit	700,000	450,000
Contributions receivable	161,356	139,228
Grants receivable	155,827	401,627
Other receivables	4,388	4,610
Prepaid expenses	<u>39,789</u>	<u>43,275</u>
<b>Total current assets</b>	<u>2,309,507</u>	<u>2,065,443</u>
<b>Property and equipment</b>		
Land, buildings, furniture, and equipment	1,429,889	1,492,558
Less accumulated depreciation	<u>631,429</u>	<u>664,998</u>
<b>Net property and equipment</b>	<u>798,460</u>	<u>827,560</u>
<b>Other assets</b>		
Beneficial interest in net assets of Greater Lynchburg Community Foundation	<u>11,749</u>	<u>9,117</u>
<b>Total assets</b>	<u>\$ 3,119,716</u>	<u>\$ 2,902,120</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 26,174	\$ 84,243
Accrued payroll	78,241	62,309
Accrued vacation	75,022	73,550
Deferred revenue, Legal Services Corporation:		
Basic field grant	187,322	155,805
Special grants	2,704	51,246
Note payable	-	278,200
Client trust deposits	<u>3,625</u>	<u>7,577</u>
<b>Total current liabilities</b>	<u>373,088</u>	<u>712,930</u>
<b>Net assets</b>		
Without donor restrictions	2,476,445	1,971,280
With donor restrictions	<u>270,183</u>	<u>217,910</u>
<b>Total net assets</b>	<u>2,746,628</u>	<u>2,189,190</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,119,716</u>	<u>\$ 2,902,120</u>

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

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2021**  
**With Comparative Totals for the Year Ended June 30, 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and revenue</b>				
Legal Services Corporation:				
Basic field grant	\$ 862,445	\$ -	\$ 862,445	\$ 689,709
Technology Initiative Grant	7,296	-	7,296	-
COVID-19 response	51,246	-	51,246	40,926
Enroll Virginia Program grants	134,579	-	134,579	111,629
Victim services	458,377	-	458,377	407,709
Other grants	2,121,131	199,476	2,320,607	2,082,634
United Way	11,175	69,887	81,062	105,470
Contributions	86,439	-	86,439	84,741
Interest	12,942	-	12,942	11,402
Other	302,344	-	302,344	41,552
In-kind support	109,013	-	109,013	148,728
Total	<u>4,156,987</u>	<u>269,363</u>	<u>4,426,350</u>	<u>3,724,500</u>
Net assets released from restrictions				
Expiration of time or purpose restrictions	217,090	(217,090)	-	-
<b>Total support and revenue</b>	<u>4,374,077</u>	<u>52,273</u>	<u>4,426,350</u>	<u>3,724,500</u>
<b>Expenses</b>				
Program services				
Legal assistance	2,990,320	-	2,990,320	2,778,775
Enroll Virginia	134,837	-	134,837	111,867
Supporting services				
Management and general	537,156	-	537,156	569,968
Fund raising	206,599	-	206,599	179,912
<b>Total expenses</b>	<u>3,868,912</u>	<u>-</u>	<u>3,868,912</u>	<u>3,640,522</u>
<b>Change in net assets</b>	505,165	52,273	557,438	83,978
<b>Net assets at beginning of year</b>	<u>1,971,280</u>	<u>217,910</u>	<u>2,189,190</u>	<u>2,105,212</u>
<b>Net assets at end of year</b>	<u>\$ 2,476,445</u>	<u>\$ 270,183</u>	<u>\$ 2,746,628</u>	<u>\$ 2,189,190</u>

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

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**  
**With Comparative Totals for the Year Ended June 30, 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 557,438	\$ 83,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,749	52,076
Debt forgiveness	(278,200)	-
Proceeds from insurance claim	-	(31,191)
Loss on disposal of assets	-	2,283
Net unrealized (gain) loss on beneficial interest	(2,631)	803
Decrease (increase) in grants and other receivables	246,022	(373,898)
Increase in contributions receivable	(22,128)	(46,572)
Decrease in prepaid expenses	3,486	1,126
(Decrease) increase in accounts payable	(58,069)	66,367
Increase in accrued payroll	15,932	26,828
Increase in accrued vacation	1,472	23,811
(Decrease) increase in client trust deposits	(3,952)	7,577
(Decrease) increase in deferred revenue	(17,025)	207,051
<b>Net cash provided by operating activities</b>	<u>487,094</u>	<u>20,239</u>
<b>Cash flows from investing activities</b>		
Purchase of certificate of deposit	(250,000)	-
Proceeds from insurance claim	-	31,191
Purchases of property and equipment	(15,650)	(21,628)
<b>Net cash (used in) provided by investing activities</b>	<u>(265,650)</u>	<u>9,563</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	278,200
Payments on notes payable	-	(12,715)
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>265,485</u>
<b>Net increase in cash, cash equivalents, and restricted cash</b>	221,444	295,287
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	<u>1,026,703</u>	<u>731,416</u>
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<u>\$ 1,248,147</u> *	<u>\$ 1,026,703</u> *

\*Presented in the accompanying statement of  
financial position as follows:

Cash and cash equivalents	\$ 1,244,522	\$ 1,019,126
Cash in escrow, client deposits	<u>3,625</u>	<u>7,577</u>
	<u>\$ 1,248,147</u>	<u>\$ 1,026,703</u>

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

VIRGINIA LEGAL AID SOCIETY, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

With Comparative Totals for the Year Ended June 30, 2020

	2021																2020 Total Expenses
	Legal Services Corporation	Elderly Services	Legal Services Corporation of Virginia	Victim Services	United Way	Local Government Funding	Program Legal Services Corporation Technology Initiative Grant	Legal Services Corporation COVID-19 Response	Other Grants	Property and Equipment	General	Enroll Virginia	Total Program Expenses	Management and General	Fund Raising	Total Expenses	
Lawyers' salaries	\$ 247,531	\$ 41,763	\$ 286,334	\$ 263,977	\$ 51,435	\$ 18,102	\$ -	\$ 18,760	\$ 261,619	\$ -	\$ 21,067	\$ -	\$ 1,210,588	\$ 141,782	\$ 6,256	\$ 1,358,626	\$ 1,223,618
Non-lawyer salaries	166,063	28,331	158,986	114,967	15,733	17,071	-	16,060	114,148	-	19,867	94,234	745,460	183,212	134,776	1,063,448	959,606
Employee benefits	147,343	14,588	173,993	118,202	15,273	12,047	-	8,383	108,526	-	30,632	33,084	662,071	84,032	39,840	785,943	685,969
Contract services	335	-	-	3,102	2,056	1,011	3,150	822	35,083	-	4,141	275	49,975	33,753	2,965	86,693	95,282
Travel	699	-	657	7,946	405	32	-	111	1,706	-	38	267	11,861	31	-	11,892	25,872
Office	6,517	-	52,607	8,133	9,997	3,089	-	4,596	54,530	-	25,545	3,957	168,971	64,281	21,950	255,202	281,702
Library maintenance	8,003	-	9,886	1,983	736	491	-	530	4,128	-	572	-	26,329	625	-	26,954	24,921
Telephone	16,964	-	17,903	600	1,518	1,613	-	1,408	13,891	-	2,477	3,020	59,394	23,718	600	83,712	89,755
Training	-	-	-	452	140	31	4,146	-	3,442	-	36	-	8,247	2,134	-	10,381	25,924
Insurance	5,127	-	5,905	1,244	237	379	-	412	1,939	-	441	-	15,684	3,236	-	18,920	15,775
Litigation	2,673	-	3,332	2,068	737	159	-	164	2,670	-	185	-	11,988	-	-	11,988	6,750
In-kind expenditures	102,060	-	-	6,953	-	-	-	-	-	-	-	-	109,013	-	-	109,013	148,728
Miscellaneous	41	-	767	-	19	-	-	-	-	-	-	-	827	352	212	1,391	2,261
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,283
Depreciation	-	-	-	-	-	-	-	-	-	44,749	-	-	44,749	-	-	44,749	52,076
<b>Total expenses</b>	<b>\$ 703,356</b>	<b>\$ 84,682</b>	<b>\$ 710,370</b>	<b>\$ 529,627</b>	<b>\$ 98,286</b>	<b>\$ 54,025</b>	<b>\$ 7,296</b>	<b>\$ 51,246</b>	<b>\$ 601,682</b>	<b>\$ 44,749</b>	<b>\$ 105,001</b>	<b>\$ 134,837</b>	<b>\$ 3,125,157</b>	<b>\$ 537,156</b>	<b>\$ 206,599</b>	<b>\$ 3,868,912</b>	<b>\$ 3,640,522</b>

The accompanying notes are an integral part of the financial statements



## **VIRGINIA LEGAL AID SOCIETY, INC.**

### **Notes to Financial Statements**

**June 30, 2021**

#### **Note 1 – Nature of activities and summary of significant accounting policies**

##### *Nature of activities*

Virginia Legal Aid Society, Inc. (the “Society”) is a nonprofit corporation organized for the purpose of providing legal assistance in non-criminal proceedings to persons in various locations of Virginia who are financially unable to afford legal assistance. The Society has offices in Danville, Martinsville, Farmville, Suffolk, and Lynchburg. The Society services individuals in these cities and surrounding counties. The Society is funded primarily by grants from the Legal Services Corporation (“LSC”), a nonprofit organization established by the U.S. Congress to administer a nationwide legal assistance program, and the Legal Services Corporation of Virginia (“LSCV”), a nonprofit organization at the state level.

##### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under these generally accepted accounting principles, the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information should be read in conjunction with the Society’s financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

##### *Support, revenue, and promises to give*

The Society evaluates funding, including grants, received from its resource providers and determines if the funding or grant is an exchange transaction or contribution.

If the funding received is determined to be a reciprocal transaction, it will be accounted for as an exchange transaction. As such, revenues will be recognized as the goods or services are transferred to the resource provider in accordance with the terms and conditions of the agreement or contract with the resource provider.

If the funding received is determined to be a non-reciprocal transaction, it will be accounted for as a contribution. Once the funding has been determined to be a contribution, it must further be evaluated to determine if the contribution is conditional and/or is restricted. A contribution is deemed conditional if the resource provider has imposed a barrier on the contribution that must be overcome before the Society is entitled to the contribution and there exists either a right of return of resources transferred or a right of release of a resource provider’s obligation to transfer resources. Conditional contributions will not be recognized as income until such time as the conditions placed on them have been satisfied. Accordingly, conditional contributions received by the Society will be recognized as deferred revenue, a liability, until such time as the conditions have been satisfied. Conditional promises to give received by the Society will not be recognized until the conditions under which they were made have been satisfied.

Unconditional contributions, including unconditional promises to give, are recognized when received by the Society. Unconditional promises to give are presented at the amounts expected to be collected, which are estimated to approximate fair value. Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. In addition, conditional contributions that are also restricted by the donor are reported as increases in net assets without donor restrictions if the conditions are met and the restrictions expire

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 1 - Nature of activities and summary of significant accounting policies (continued)**

*Support, revenue, and promises to give (continued)*

in the fiscal year in which the contributions are received and recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

LSC has indicated that the grants it provides to the Society are not exchange transactions but, instead, contributions with conditions. As a result, any grants received from LSC but have not been expended are considered deferred revenue and are presented as a liability in the accompanying statement of financial position. This deferred revenue will be recognized as income once the conditions upon which they were granted are satisfied. LSC may, at its discretion, request reimbursement or return of funds, or both, as a result of noncompliance by the Society with the terms of its grants. The awarding of LSC funds is considered a conditional promise to give because LSC awards such funds subject to the availability of federal funding.

The Society's management has evaluated its other support, including grants, and has determined that they are not exchange transactions but, instead, are contributions without conditions. Accordingly, this support is recognized as income when received. A receivable is recognized to the extent costs have been incurred under the terms of the support agreements and not reimbursed.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash equivalents and restricted cash*

For purposes of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Restricted cash consists primarily of client deposits held in escrow.

*Investments, certificates of deposit*

The Society occasionally invests in certificates of deposit issued by local banks which are valued and presented in the accompanying statement of financial position at the principal amounts expected to be realized upon maturity.

*Property and equipment*

Purchased property and equipment are recorded at cost. Property and equipment donated to the Society are recorded at their estimated fair market value at the time of the donation. The Society's policy is to capitalize property and equipment acquisitions if their cost is \$5,000 or more; otherwise, the purchases are expensed during the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. LSC claims a reversionary interest in the property and equipment purchased with LSC funds. In addition, LSC claims the right to determine the use of any proceeds from the sale of assets purchased with these funds.

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 1 - Nature of activities and summary of significant accounting policies (continued)**

*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 detail in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis consistently applied. Such expenses are allocated based on management's experience and history as well as management's evaluation and estimation of the nature of the expense.

*Income taxes*

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal or state income taxes has been made. In addition, the Society has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

**Note 2 - In-kind support**

Donated services for the year ended June 30, 2021, are summarized as follows:

Pro bono program (donated attorneys' services)	<u>\$ 109,013</u>
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A Pro Bono Program has been instituted in all the Society's offices and is valued at the participating attorneys' hourly rates times the hours contributed. All donated attorneys' services are recognized as support and expenses in the accompanying financial statements.

**Note 3 - Private attorney involvement ("PAI")**

LSC regulations require that at least 12.5% of the basic LSC grant be allocated to private attorney involvement. The calculated private attorney involvement allocation, as compared with the PAI expenses for the year ended June 30, 2021, is as follows:

Basic LSC Grant	<u>\$ 914,386</u>
12.5% PAI spending requirement	<u>\$ 114,298</u>
Actual private attorney involvement expenses	<u>\$ 141,464</u>

**Note 4 - Other revenue**

Other revenue, amounting to \$302,344, for the year ended June 30, 2021, represented income from debt forgiveness (see Note 15), payroll tax credits under the Families First Coronavirus Response Act (FFCRA), litigation, and miscellaneous sources amounting to \$278,200, \$16,612, \$7,518 and \$14, respectively.

**Note 5 - Cash, cash equivalents, and restricted cash**

At June 30, 2021, cash and cash equivalents amounted to \$1,244,522, and included money market funds and savings accounts amounting to \$789,310. At June 30, 2021, restricted cash consisted of client deposits held in escrow amounting to \$3,625.

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 6 – Supplemental cash flow information**

Non-cash financing activities during the current year ended June 30, 2021, involved debt forgiveness in the amount of \$278,200 (see Note 15).

**Note 7 - Concentration of credit risk**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, cash equivalents, certificates of deposit, and unsecured receivables. Cash and cash equivalents and certificates of deposit are maintained in several financial institutions in central Virginia. Total deposits at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2021, the Society’s deposits exceeded the FDIC insured limits by approximately \$214,000. The unsecured contributions and grants receivables are due primarily from United Way agencies, private foundations, and state and local governments. Approximately 43% and 31% of contributions receivable at June 30, 2021, were due from four United Way agencies and a private foundation, respectively. In addition, as of June 30, 2021, approximately 63% of grants receivable was due from a department of the Commonwealth of Virginia. During the year ended June 30, 2021, approximately 34%, 21%, and 10% of the Society’s support and revenue were derived from LSCV, LSC, and the Virginia Department of Criminal Justice Services, respectively. Management believes there are no significant credit risks regarding these excess deposits or other concentrations as of and for the year ended June 30, 2021.

**Note 8 - Retirement plan**

The Society has a voluntary tax deferred annuity plan for all qualified employees. During the current year ended June 30, 2021, the Society’s contributions to the plan amounted to \$117,533.

**Note 9 – Donor restricted and designated net assets**

Donor restricted net assets amounting to \$270,183 are restricted for operating use by the Society for the year ending June 30, 2022, for the *Medical Access Project, Housing, Improvement & Preservation, Crisis & Income Protection*, and *Strengthening Families with Children* programs and for specific property.

During the current year ended June 30, 2021, net assets were released from donor restrictions by satisfying the time and use restrictions specified by the donors in the amount of \$217,090.

The Society’s Board of Directors has designated unrestricted net assets amounting to \$66,818 for building improvements and emergency repairs.

**Note 10 - Leases**

The Society rents parking space for some of its branch offices and office equipment under various lease arrangements. During the year ended June 30, 2021, rental expense was \$15,301 and \$2,424 for parking space and equipment, respectively, and is included in office expense in the accompanying statement of functional expenses. Minimum commitments for operating leases at June 30, 2021, are as follows:

<u>Year Ending</u>	
June 30, 2022	\$ 11,472
June 30, 2023	<u>7,849</u>
	<u>\$ 19,321</u>

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 11 - LSC funding retention requirements**

LSC recipients are permitted to retain from one fiscal year to the next LSC fund balances up to 10% of their LSC support which includes derivative income and excludes one-time and special purpose grants. Recipients may request a waiver to retain a fund balance up to a maximum of 25% of their LSC support for special circumstances. In addition, recipients may request a waiver to retain a fund balance in excess of 25% of a recipient's LSC support only for extraordinary and compelling circumstances. Waivers may be granted at the discretion of LSC and, in the absence of a waiver, a fund balance in excess of 10% of LSC support shall be repaid to the LSC.

As of June 30, 2021, the Society's retained funds, exclusive of one-time and special purpose grants, amounted to \$187,322, or 20.42% of LSC support, resulting in excess retained funds amounting to \$95,599 computed as follows:

LSC retained funds, exclusive of one-time and special purpose grants		\$ 187,322
Less allowable amounts:		
Basic field grant	\$ 914,386	
Derivative income	<u>2,839</u>	
Total LSC support	917,225	
Times allowable percentage	<u>X 10%</u>	
Allowable amount		<u>91,723</u>
Excess		<u>\$ 95,599</u>

The aforementioned excess retained funds are the result of the impact that the current COVID-19 pandemic has had on the Society's operations (see Note 17). The Society intends to request a waiver for the excess retained funds and LSC has indicated that they will be flexible in granting such waivers due to the pandemic. Furthermore, the Society's management expects these excess funds will be expended during its year ending June 30, 2022, unless additional COVID-19 response funding is provided in future legislation.

As stated in Note 1, LSC considers any retained funds as deferred revenue. Accordingly, the aforementioned retained funds amounting to \$187,322, along with retained funds from special grants amounting to \$2,704, are presented as deferred revenue, a liability, in the accompanying statement of financial position.

In addition, during its current year ended June 30, 2021, LSC granted the Society a waiver for those excess funds retained at June 30, 2020.

**Note 12 – Conditional promise to give**

As indicated in Note 1, the awarding of LSC funding is considered a conditional promise to give. As of June 30, 2021, uncollected amounts on LSC's 2021 calendar year award amounted to approximately \$381,000.

**Note 13 – Beneficial interest in net assets of Greater Lynchburg Community Foundation**

During the year ended June 30, 2004, the Society made a transfer of \$5,000 to an endowment fund (the "Fund") maintained by the Greater Lynchburg Community Foundation (the "GLCF"). Under the terms of the Society's agreement with GLCF, the transfer is irrevocable and GLCF will, upon the Society's request, make annual distributions of the income earned by the Fund. In addition, the Society has granted GLCF variance power, i.e., the right to redirect, consistent with GLCF's rules and regulations, the benefits of the transferred amounts.

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 13 – Beneficial interest in net assets of Greater Lynchburg Community Foundation (continued)**

During the year ended June 30, 2021, the Society recognized a net realized and unrealized loss, amounting to \$2,631, on its beneficial interest.

In addition to the Society, others may make contributions to the Fund. In accordance with U.S. generally accepted accounting principles, the Society will recognize contribution income from this portion of the Fund when received.

The beneficial interest is presented in the accompanying statement of financial position at the fair value of the assets in which the Fund is invested. These fair values are based primarily on quoted market prices.

**Note 14 – Property and equipment**

Property and equipment as of June 30, 2021 and 2020, are as follows:

	June 30, 2021		June 30, 2020	
	Acquisition Value	Accumulated Depreciation	Acquisition Value	Accumulated Depreciation
Furniture and fixtures - donated	\$ 4,318	\$ -	\$ 4,318	\$ -
Furniture and fixtures	26,236	26,063	26,235	25,027
Equipment	92,911	73,220	164,761	145,090
Buildings and leasehold improvements	1,153,609	532,146	1,144,429	494,881
Land	<u>152,815</u>	<u>-</u>	<u>152,815</u>	<u>-</u>
	<u>\$ 1,429,889</u>	<u>\$ 631,429</u>	<u>\$ 1,492,558</u>	<u>\$ 664,998</u>

As stated in Note 1, LSC claims a reversionary interest in the Society’s property and equipment that were purchased with LSC funds. As of June 30, 2021, the property and equipment in which LSC claims a reversionary interest had a total acquisition value and accumulated depreciation of \$66,953 and \$63,022, respectively.

**Note 15 – Note payable and debt forgiveness**

Pursuant to the Paycheck Protection Program provided by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act enacted by the U.S. Congress, the Society applied for, and received, a loan in the amount of \$278,200 in April 2020 from a local bank. The loan was unsecured and bore interest at the rate of 1.00% per annum.

In accordance with the CARES Act, the Society’s management requested complete forgiveness of the loan in December 2020 and, as a result, such request was granted in January 2021. Accordingly, the amount forgiven amounting to \$278,200 has been recognized as other revenue in the accompanying statement of activities (see Note 4). Since management fully expected the loan to be settled, i.e., forgiven, on or before June 30, 2021, the loan was presented as a current liability in the Society’s statement of financial position as of June 30, 2020.

continued

**VIRGINIA LEGAL AID SOCIETY, INC.**  
**Notes to Financial Statements, continued**  
**June 30, 2021**

**Note 16 – Liquidity and availability of financial assets**

As of June 30, 2021, the following financial assets are available within one year to meet the Society’s cash needs for general expenditures:

Financial assets as of June 30, 2021:

Cash and cash equivalents	\$ 1,244,522
Investments, certificates of deposit	700,000
Contributions and grants receivable	317,183
Other receivables	<u>4,388</u>
Total financial assets at June 30, 2021	<u>2,266,093</u>

Less those financial assets unavailable for general expenditures within one year due to:

Donor imposed restrictions	270,183
Board designations	<u>66,818</u>
	<u>337,001</u>

Financial assets available to meet cash needs for general expenditures within one year from June 30, 2021	<u>\$ 1,929,092</u>
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As part of the Society’s liquidity management, it invests cash in excess of estimated current needs in savings and money market accounts and certificates of deposit maintained by local banks.

**Note 17 – Coronavirus (“COVID-19”) pandemic**

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) occurred and has since spread to other countries, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States, including the Commonwealth of Virginia, have declared a state of emergency. It is anticipated that this pandemic will continue for some time. The most significant impact on the Society’s operations have been a decrease in cases handled, increase in remote consultations with clients, increase in staff working remotely, additional funding from LSC as presented in the accompanying statement of activities, and an additional borrowing as described in Note 15. Future potential impacts may include reductions in the Society’s funding as well as disruptions or restrictions on the Society’s ability to service its clients. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown; however, management fully intends to take all possible actions to mitigate any future effects caused by the pandemic.

**Note 18 – Subsequent events**

Management has evaluated subsequent events for the period July 1, 2021 through October 28, 2021, the date on which these financial statements were available to be issued. Those subsequent events identified and requiring disclosure in these financial statements are set forth in Notes 11 and 17.