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***LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.***

**Table of Contents**

**June 30, 2009**

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	<b>Page</b>
Independent Auditors' Report .....	1
Audited Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-10

# **C. DEWITT FOARD & COMPANY, P.A.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Legal Services of Southern Piedmont, Inc.  
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Legal Services of Southern Piedmont, Inc. (LSSP - a not-for-profit organization), as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of LSSP. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year comparative information has been derived from the LSSP's 2008 financial statements and, in our report dated August 12, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services of Southern Piedmont, Inc., as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*C. Dewitt Foard & Company, P.A.*

July 21, 2009

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**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Financial Position****June 30, 2009, with prior year comparative totals**

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	June 30,	
	2009	2008
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 274,510	\$ 173,353
Investments	102,939	293,561
Accounts Receivable:		
Sales taxes	1,143	3,049
Other	11,723	9,589
Promises to give	75,319	70,762
Grants	569,322	546,088
Prepaid expenses	24,066	25,476
Client escrow deposits	925	6,971
Total Current Assets	1,059,947	1,128,849
Property and Equipment - Net	463,160	487,072
TOTAL ASSETS	\$ 1,523,107	\$ 1,615,921
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 142,983	\$ 157,140
Accrued payroll and withholdings	51,557	45,463
Client trust deposits	925	6,971
Total Current Liabilities	195,465	209,574
Net Assets:		
Unrestricted:		
Board-designated	177,359	178,279
Property	463,160	487,072
Undesignated	86,079	135,200
Total Unrestricted	726,598	800,551
Temporarily restricted	601,044	605,796
Total Net Assets	1,327,642	1,406,347
TOTAL LIABILITIES AND NET ASSETS	\$ 1,523,107	\$ 1,615,921

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**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Activities****Year Ended June 30, 2009, with prior year comparative totals**

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	Year Ended June 30, 2009			2008
	Unrestricted	Temporarily Restricted	TOTALS	Comparative Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Support:				
Z. Smith Reynolds	\$ -	\$ 103,360	\$ 103,360	\$ 78,967
Internal Revenue Service	-	81,643	81,643	75,000
Mecklenburg County	-	152,100	152,100	156,000
Interest on Lawyers Trust Accounts	-	204,000	204,000	194,500
United Way	21,567	77,756	99,323	176,475
Sisters of Mercy	-	70,000	70,000	75,000
Access to Civil Justice (IOLTA)	-	236,174	236,174	234,225
Mecklenburg Bar Foundation	-	28,000	28,000	13,250
Council of Governments	-	20,877	20,877	16,613
DHHS Trafficking	-	41,171	41,171	-
Community Catalyst	-	25,000	25,000	-
Other	-	20,000	20,000	49,800
Contributions	285,295	-	285,295	275,518
In-kind contributions	176,864	-	176,864	80,130
Special events (net of \$17,345 direct benefit)	-	41,001	41,001	39,591
Revenue:				
Fee awards	2,320	-	2,320	9,500
Contract revenue	27,203	-	27,203	25,049
Interest and other income	6,649	-	6,649	9,905
Rental income	52,800	-	52,800	52,800
Net Assets Released from Restrictions	1,105,834	(1,105,834)	-	-
Total Support and Revenue	1,678,532	(4,752)	1,673,780	1,562,323
<b><u>EXPENSES</u></b>				
Program services	1,402,862	-	1,402,862	1,256,606
Management and general	202,008	-	202,008	169,797
Fundraising	147,615	-	147,615	118,646
Total Expenses	1,752,485	-	1,752,485	1,545,049
CHANGE IN NET ASSETS	(73,953)	(4,752)	(78,705)	17,274
NET ASSETS, BEGINNING	800,551	605,796	1,406,347	1,389,073
NET ASSETS, ENDING	\$ 726,598	\$ 601,044	\$ 1,327,642	\$ 1,406,347

# **LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.**

## **Statement of Functional Expenses**

**Year Ended June 30, 2009, with prior year comparative totals**

	Year Ended June 30, 2009			2008	
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
Salaries and Benefits:					
Salaries:					
Staff attorneys	\$ 604,946	\$ 34,798	\$ 29,444	\$ 669,188	\$ 589,294
Paralegals	148,768	-	-	148,768	149,232
Support staff	52,834	104,198	61,700	218,732	204,823
Employee benefits	182,765	26,480	18,468	227,713	187,392
Payroll taxes	60,849	8,790	6,138	75,777	70,527
Total	1,050,162	174,266	115,750	1,340,178	1,201,268
Other Expenses:					
Attorneys fees (in-kind)	176,864	-	-	176,864	80,130
Occupancy	38,306	6,352	4,202	48,860	67,942
Travel and training	14,032	2,327	1,539	17,898	28,027
Justice For All Fundraiser	-	-	17,345	17,345	44,070
Bad debt expense	-	-	13,362	13,362	-
Supplies	7,273	1,206	798	9,277	13,870
Outside services	15,767	2,614	1,730	20,111	18,635
Publications and references	9,488	1,573	1,041	12,102	11,414
Dues	9,063	1,503	994	11,560	10,863
Communications	6,577	1,091	721	8,389	9,411
Other program costs	19,612	3,252	2,151	25,015	37,834
Insurance	8,429	1,398	925	10,752	9,392
Postage and delivery	8,705	1,443	955	11,103	12,978
Equipment costs	5,405	896	593	6,894	4,617
Litigation costs	4,890	-	-	4,890	7,735
Total	324,411	23,655	46,356	394,422	356,918
Total Expenses Before Depreciation	1,374,573	197,921	162,106	1,734,600	1,558,186
Depreciation Expense	28,289	4,087	2,854	35,230	30,933
TOTAL EXPENSES	\$ 1,402,862	\$ 202,008	\$ 164,960	\$ 1,769,830	\$ 1,589,119
Less - Special Events Costs Deducted from Revenue	-	-	(17,345)	(17,345)	(44,070)
NET EXPENSES	\$ 1,402,862	\$ 202,008	\$ 147,615	\$ 1,752,485	\$ 1,545,049

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**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Cash Flows****Year Ended June 30, 2009, with prior year comparative totals**

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	June 30,	
	2009	2008
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (78,705)	\$ 17,274
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	35,230	30,932
Loss on decline in value of marketable securities	-	568
(Increase) decrease in operating assets:		
Client escrow deposits	6,046	15,481
Accounts receivable	(28,019)	(9,335)
Prepaid expenses	1,410	(11,414)
Increase (decrease) in operating liabilities:		
Accounts payable	(14,157)	113,206
Accrued payroll and withholdings	6,094	(1,269)
Client trust deposits	(6,046)	(15,481)
Cash Flows from Operating Activities	<u>(78,147)</u>	<u>139,962</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of fixed assets	(11,318)	(50,263)
Purchases of investments	(6,074)	(202,340)
Proceeds from sale of investments	<u>196,696</u>	<u>107,370</u>
Cash Flows from Investing Activities	<u>179,304</u>	<u>(145,233)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	101,157	(5,271)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>173,353</u>	<u>178,624</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 274,510</u>	<u>\$ 173,353</u>

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# ***LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.***

## **Notes to Financial Statements**

**June 30, 2009**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of activities*

Legal Services of Southern Piedmont, Inc. (LSSP) is a North Carolina not-for-profit corporation that began operations in 1967. The purpose of LSSP is to provide equal access to justice for indigent persons in its service area by providing representation for indigent persons on matters of significant concern to them individually and advocating for the low income community, or groups of indigent persons, on issues of concern to the whole or significant segment of the low income community. LSSP also provides services for the elderly community in the Charlotte Area, having assumed the operations of Legal Services for the Elderly in the previous fiscal year. During the period of this report, LSSP, a United Way agency, served primarily individuals and families living in the Charlotte metropolitan area and west-central NC, whose income does not exceed 200 percent of the federal poverty level, through its principal office in Charlotte.

#### *Funding sources*

LSSP is supported by a combination of federal, state and local government funds, the United Way of Central Carolinas, contributions from individuals and organizations, grants from state and local bar organizations, grants from private foundations, client fees, and other sources.

#### *Basis of presentation*

The financial statements have been prepared on the accrual basis of accounting in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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. During the year ended June 30, 2009, LSSP had no permanently restricted net assets.

#### *Contributions*

LSSP has elected to account for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, LSSP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction no longer applies, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

#### *Donated professional services*

Certain services are donated by various attorneys, law students and paralegals in LSSP's service area at no charge in connection with the Volunteer Lawyers Program. Such donated services have been reflected in the accompanying financial statements, based on estimated salary rates, payroll taxes, and employee benefits, if LSSP employed these individuals to perform these services and range from \$40 - \$85 per hour.

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# ***LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.***

## **Notes to Financial Statements**

**June 30, 2009**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### *Other donated goods and services*

No other amounts have been reflected in the financial statements for donated goods and services. LSSP pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist LSSP with program services, management, and fundraising efforts. LSSP does not record the value of other donated services in its financial statements since the value of the services generally does not meet the requirements for recognition in the financial statements.

#### *Functional allocation of expenses*

Expenses are allocated to program services, management and general, and fundraising based on management's estimate of time spent and various allocation methods appropriate to the type of expense.

#### *Accrued compensated absences*

LSSP allows employees to accumulate up to 150 hours of compensated absences. This amount is shown as an expense when earned and the unpaid balance at year-end is included as a liability in the accompanying financial statements.

#### *Federal income tax status*

LSSP is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. LSSP is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

#### *Prior-year comparative totals*

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the LSSP's 2008 financial statements, from which the summarized information was derived. Certain amounts shown as prior year comparative totals may have been reclassified to conform to the current year presentation.

#### *Use of estimates*

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

#### *Cash and cash equivalents*

LSSP considers all highly liquid investments with a maturity of sixty days or less when purchased to be "cash equivalents" for financial reporting purposes.

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# ***LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.***

## **Notes to Financial Statements**

**June 30, 2009**

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### **NOTE 2 - INVESTMENTS**

Marketable securities are reported at fair value. Certificates of deposit are reported at cost plus accrued interest, which approximates fair value. Investments as of June 30, 2009, consist of three certificates of deposit, with maturities ranging from three to six months.

### **NOTE 3 - RECEIVABLES**

#### *Promises to give*

In accordance with SFAS No. 116, LSSP recognizes unconditional promises to give as support in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management has estimated an allowance for bad debt based on collection experience. No present value discount has been assumed as the amount would not be material in relation to the financial statements. Unconditional promises to give are expected to be collected as follows:

During the year ending June 30,		
2010	\$	96,219
2011		8,350
2012		2,850
2013		200
2014		<u>300</u>
Total Promises to Give		107,919
Deduct:		
Allowance for doubtful accounts		<u>(32,600)</u>
NET PROMISES TO GIVE	\$	<u>75,319</u>

#### *Other*

Grants and all other accounts receivables are expected to be collected during the next fiscal year and presented at net realizable value with no bad debt allowance.

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# **LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.**

## **Notes to Financial Statements**

**June 30, 2009**

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### **NOTE 3 - PROPERTY AND EQUIPMENT**

#### Basis of presentation

Fixed assets are capitalized at cost if purchased or fair value if donated, subject to a \$500 capitalization policy. Major repairs and improvements to existing assets that are expected to significantly extend the useful life of such assets are also capitalized. Repair costs not expected to significantly extend the asset's useful life are expensed in the year such costs are incurred. LSSP uses the straight-line method of depreciation over the estimated useful lives of the assets which vary from three to ten years for computers, furniture, equipment, and law library, and thirty years for the building and building improvements. Salvage values are not utilized.

#### Balance at June 30, 2009

Fixed assets at June 30, 2009, consisted of the following:

Land	\$	206,367
Building		359,791
Building improvements		93,061
Furniture and equipment		342,060
Law library		4,353
		<hr/>
TOTAL COST		1,005,632
Less - accumulated depreciation		(542,472)
		<hr/>
PROPERTY AND EQUIPMENT – NET	\$	<u>463,160</u>

### **NOTE 4 - NET ASSETS**

#### Board-designated

The LSSP Board of Directors resolved that, beginning on July 1, 2002, all revenue from attorneys' fee awards and other litigation receipts be placed in a "Designated Impact Advocacy, Building and Emergency Fund" to be maintained and accounted for separate from the general operating funds. This fund is to be used only for certain impact advocacy strategies and activities, for repair and improvement of real estate owned and operated by LSSP for its operations, or for emergencies. Activity of the fund for the year ended June 30, 2009, which is included in unrestricted net assets in the accompanying financial statements, is as follows:

Beginning balance	\$	178,279
Add – fee awards		2,370
Less – repairs		(3,290)
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ENDING BALANCE	\$	<u>177,359</u>

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# LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.

## Notes to Financial Statements

June 30, 2009

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### NOTE 4 - NET ASSETS, continued

#### Temporarily restricted

Temporarily restricted net assets as of June 30, 2009, are time-restricted as follows:

Mecklenburg County	\$	156,000
Interest on Lawyers Trust Accounts		89,809
United Way		77,756
Z. Smith Reynolds		71,680
Sisters of Mercy		70,000
Justice for All		48,519
Low Income Taxpayer Clinic		40,822
Mecklenburg Bar Foundation		25,000
Community Catalyst		11,458
Legal Aid North Carolina – Services		10,000
TOTAL	\$	<u>601,044</u>

### NOTE 5 - PENSION PLAN

LSSP has established the Legal Services of Southern Piedmont Pension Plan, a tax-exempt profit-sharing plan, for the benefit of its employees. Contributions to the Plan are made at the discretion of the LSSP Board of Directors and employee contributions are not permitted. Contributions are allocated to employees based on compensation and employees are fully vested after four years. A more detailed description of the Plan is available in the Summary Plan Description. For the year ended June 30, 2009, LSSP accrued a contribution to the Plan of \$31,103 and at that date total plan assets were \$316,534, including the accrued contribution.

### NOTE 6 - CONCENTRATIONS OF RISK

#### Cash in excess of insured limits

LSSP occasionally maintains cash balances and certificates of deposit at financial institutions in excess of FDIC insured limits. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institutions.

#### Funding

During the year ended June 30, 2009, LSSP received the majority of its funding from a limited number of funding sources, a large amount of which is renewable annually. This represents a significant concentration of risk that operations could be affected if any of these agencies unexpectedly discontinued their funding of LSSP.

### NOTE 7 - LINE OF CREDIT

LSSP has available a \$150,000 revolving line of credit due to Branch Banking and Trust. No funds were drawn down on the line of credit during the year ended June 30, 2009.