

---

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

**Table of Contents**

**June 30, 2008**

---

	<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.**

---

CERTIFIED PUBLIC ACCOUNTANTS  
1001 MOREHEAD SQUARE DRIVE • SUITE 450  
CHARLOTTE, NORTH CAROLINA 28203  
TELEPHONE: 704-372-1515 • FACSIMILE: 704-372-6066

PHILLIP G. WILSON  
TERRY W. LANCASTER

## **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, 2008, 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 2007 financial statements and, in our report dated August 10, 2007, 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, 2008, 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.*

August 12, 2008

---

**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Financial Position****June 30, 2008, with prior year comparative totals**

---

	June 30,	
	2008	2007
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 173,353	\$ 178,624
Investments	293,561	199,158
Accounts Receivable:		
Sales taxes	3,049	1,988
Other	9,589	10,916
Promises to give	70,762	64,252
Grants	546,088	542,997
Prepaid expenses	25,476	14,062
Client escrow deposits	6,971	22,452
Total Current Assets	<u>1,128,849</u>	<u>1,034,449</u>
Property and Equipment - Net	<u>487,072</u>	<u>467,742</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,615,921</u></b>	<b><u>\$ 1,502,191</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 157,140	\$ 43,934
Accrued payroll and withholdings	45,463	46,732
Client trust deposits	6,971	22,452
Total Current Liabilities	<u>209,574</u>	<u>113,118</u>
Net Assets:		
Unrestricted:		
Board-designated	178,279	190,459
Property	487,072	467,742
Undesignated	135,200	90,108
Total Unrestricted	<u>800,551</u>	<u>748,309</u>
Temporarily restricted	<u>605,796</u>	<u>640,764</u>
Total Net Assets	<u>1,406,347</u>	<u>1,389,073</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,615,921</u></b>	<b><u>\$ 1,502,191</u></b>

---

**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Activities****Year Ended June 30, 2008, with prior year comparative totals**

---

	Year Ended June 30, 2008			2007
	Unrestricted	Temporarily Restricted	TOTALS	Comparative Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Support:				
Z. Smith Reynolds	\$ -	\$ 78,967	\$ 78,967	\$ 68,333
Internal Revenue Service	-	75,000	75,000	70,500
Mecklenburg County	-	156,000	156,000	156,000
Interest on Lawyers Trust Accounts	-	194,500	194,500	217,350
United Way	23,558	152,917	176,475	152,109
Sisters of Mercy	-	75,000	75,000	100,000
Access to Civil Justice (IOLTA)	-	234,225	234,225	-
United Family Services	-	24,550	24,550	46,844
Council of Governments	-	16,613	16,613	-
Other	-	38,500	38,500	87,934
Contributions	275,518	-	275,518	247,135
In-kind contributions	80,130	-	80,130	85,008
Special events (net of \$44,070 direct benefit)	6,425	33,166	39,591	145,090
Revenue:				
Fee awards	9,500	-	9,500	10,300
Contract revenue	25,049	-	25,049	27,073
Interest and other income	9,905	-	9,905	11,101
Rental income	52,800	-	52,800	52,800
Net Assets Released from Restrictions	1,114,406	(1,114,406)	-	-
Total Support and Revenue	<u>1,597,291</u>	<u>(34,968)</u>	<u>1,562,323</u>	<u>1,477,577</u>
<b><u>EXPENSES</u></b>				
Program services	1,256,606	-	1,256,606	1,048,352
Management and general	169,797	-	169,797	155,923
Fundraising	118,646	-	118,646	93,716
Total Expenses	<u>1,545,049</u>	<u>-</u>	<u>1,545,049</u>	<u>1,297,991</u>
CHANGE IN NET ASSETS	52,242	(34,968)	17,274	179,586
NET ASSETS, BEGINNING	<u>748,309</u>	<u>640,764</u>	<u>1,389,073</u>	<u>1,209,487</u>
NET ASSETS, ENDING	<u>\$ 800,551</u>	<u>\$ 605,796</u>	<u>\$ 1,406,347</u>	<u>\$ 1,389,073</u>

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

## **Statement of Functional Expenses**

**Year Ended June 30, 2008, with prior year comparative totals**

	Year Ended June 30, 2008			2007 Comparative Totals	
	Program Services	Management and General	Fundraising		
Salaries and Benefits:					
Salaries:					
Staff attorneys	\$ 527,854	\$ 30,720	\$ 30,720	\$ 589,294	\$ 479,949
Paralegals	149,232	-	-	149,232	128,213
Support staff	79,109	79,279	46,435	204,823	176,796
Employee benefits	150,453	21,808	15,131	187,392	171,516
Payroll taxes	56,624	8,208	5,695	70,527	57,934
Total	<u>963,272</u>	<u>140,015</u>	<u>97,981</u>	<u>1,201,268</u>	<u>1,014,408</u>
Other Expenses:					
Attorneys fees (in-kind)	80,130	-	-	80,130	85,008
Occupancy	54,549	7,907	5,486	67,942	35,905
Travel and training	22,502	3,262	2,263	28,027	26,181
Justice For All Fundraiser	-	-	44,070	44,070	20,772
Supplies	11,136	1,614	1,120	13,870	15,192
Outside services	14,961	2,169	1,505	18,635	11,428
Publications and references	9,164	1,328	922	11,414	10,454
Dues	8,722	1,264	877	10,863	9,533
Communications	7,556	1,095	760	9,411	8,822
Other program costs	30,376	4,403	3,055	37,834	30,906
Insurance	7,541	1,093	758	9,392	8,329
Postage and delivery	10,420	1,510	1,048	12,978	7,329
Equipment rental and maintenance	3,707	537	373	4,617	7,287
Litigation costs	7,735	-	-	7,735	3,042
Total	<u>268,499</u>	<u>26,182</u>	<u>62,237</u>	<u>356,918</u>	<u>280,188</u>
Total Expenses Before Depreciation	1,231,771	166,197	160,218	1,558,186	1,294,596
Depreciation Expense	<u>24,835</u>	<u>3,600</u>	<u>2,498</u>	<u>30,933</u>	<u>24,167</u>
TOTAL EXPENSES	<u>\$ 1,256,606</u>	<u>\$ 169,797</u>	<u>\$ 162,716</u>	<u>\$ 1,589,119</u>	<u>\$ 1,318,763</u>
Less - Special Events Costs Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(44,070)</u>	<u>(44,070)</u>	<u>(20,772)</u>
NET EXPENSES	<u>\$ 1,256,606</u>	<u>\$ 169,797</u>	<u>\$ 118,646</u>	<u>\$ 1,545,049</u>	<u>\$ 1,297,991</u>

---

**LEGAL SERVICES OF SOUTHERN PIEDMONT, INC.****Statement of Cash Flows****Year Ended June 30, 2008, with prior year comparative totals**

---

	June 30,	
	2008	2007
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 17,274	\$ 179,586
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	30,932	24,167
Loss on decline in value of marketable securities	568	-
Contributions of securities	-	(2,315)
(Increase) decrease in operating assets:		
Client escrow deposits	15,481	(18,265)
Accounts receivable	(9,335)	(179,058)
Prepaid expenses	(11,414)	(5,023)
Increase (decrease) in operating liabilities:		
Accounts payable	113,206	(26,691)
Accrued payroll and withholdings	(1,269)	413
Client trust deposits	(15,481)	18,265
	<hr/>	<hr/>
Cash Flows from Operating Activities	139,962	(8,921)
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of fixed assets	(50,263)	(24,521)
Purchases of investments	(202,340)	(279,946)
Proceeds from sale of investments	107,370	313,047
	<hr/>	<hr/>
Cash Flows from Investing Activities	(145,233)	8,580
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,271)	(341)
CASH AND CASH EQUIVALENTS, BEGINNING	178,624	178,965
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 173,353</u>	<u>\$ 178,624</u>

---

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

## **Notes to Financial Statements**

**June 30, 2008**

---

### **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. During the current fiscal year, LSSP also assumed the operations of Legal Services for the Elderly, a not-for-profit organization serving the elderly community in the Charlotte area. 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, 2008, 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 and law students 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 \$65 - \$85 per hour.

---

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

## **Notes to Financial Statements**

**June 30, 2008**

---

### **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 2007 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.

---

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

## **Notes to Financial Statements**

**June 30, 2008**

---

### **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 consist of the following as of June 30, 2008:

Certificates of deposit, various maturities ranging from three to six months	\$ 290,653
Equities	<u>2,908</u>
TOTAL	<u>\$ 293,561</u>

### **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,	
2009	\$ 41,433
2010	34,110
2011	8,861
2012	<u>5,596</u>
Total Promises to Give	90,000
Deduct:	
Allowance for doubtful accounts	<u>19,238</u>
NET PLEDGES RECEIVABLE	<u>\$ 70,762</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.

---

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

## **Notes to Financial Statements**

**June 30, 2008**

---

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

#### Basis of presentation

Fixed assets are capitalized at cost if purchased or fair value if donated, subject to a \$300 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, 2008

Fixed assets at June 30, 2008, consisted of the following:

Land	\$	206,367
Building		359,791
Building improvements		91,458
Furniture and equipment		332,346
Law library		4,353
		<hr/>
TOTAL COST		994,315
Less - accumulated depreciation		(507,243)
		<hr/>
PROPERTY AND EQUIPMENT – NET	\$	<u>487,072</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, 2008, which is included in unrestricted net assets in the accompanying financial statements, is as follows:

Beginning balance	\$	190,459
Add – fee awards		9,500
Less – repairs		(21,680)
		<hr/>
ENDING BALANCE	\$	<u>178,279</u>

---

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

## **Notes to Financial Statements**

**June 30, 2008**

---

### **NOTE 4 - NET ASSETS, continued**

#### Temporarily restricted

Temporarily restricted net assets as of June 30, 2008, are as follows:

Time restrictions:

Mecklenburg County	\$	156,000
United Way		131,417
Interest on Lawyers Trust Accounts		99,117
Justice for All		70,762
Z. Smith Reynolds		57,000
Low Income Taxpayer Clinic		37,500
Sisters of Mercy		37,500
Legal Aid North Carolina – Services		10,000
Community Tax Law Project		6,500
		<hr/>
TOTAL	\$	<u>605,796</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, 2008, LSSP accrued a contribution to the Plan of \$46,100 and at that date total plan assets were \$343,838, including the accrued contribution.

### **NOTE 6 - CONCENTRATIONS OF RISK**

#### Cash in excess of insured limits

LSSP regularly maintains cash balances and certificates of deposit at financial institutions in excess of FDIC insured limits. At June 30, 2008, the uninsured balance of cash was \$237,385. 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, 2008, 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, 2008.