

COMMUNITY LEGAL AID SOCIETY, INC.

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORTS,
AND SINGLE AUDIT**

DECEMBER 31, 2014 AND 2013

COMMUNITY LEGAL AID SOCIETY, INC.
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Independent Auditors' Report

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

We have audited the accompanying financial statements of Community Legal Aid Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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.

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

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 Community Legal Aid Society, Inc. as of December 31, 2014 and 2013, 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.

Other Matters

Our audits were 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*, 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 May 20, 2015 on our consideration of Community Legal Aid Society, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Community Legal Aid Society, Inc.'s internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

May 20, 2015
Wilmington, Delaware

COMMUNITY LEGAL AID SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 184,601	\$ 315,218
Joint Fundraising Campaign Deposits	86,926	323,353
Client Escrow Deposits	22,661	22,567
Tenant Security Deposits	3,532	3,531
Grants and Contracts Receivable	614,992	573,584
Other Receivables	347	2,555
Prepaid Expenses	12,892	14,296
TOTAL CURRENT ASSETS	925,951	1,255,104
NONCURRENT ASSETS		
Property and Equipment (Net)	1,512,203	1,506,533
TOTAL ASSETS	\$ 2,438,154	\$ 2,761,637

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 92,083	\$ 54,284
Joint Fundraising Campaign Amount Remaining to be Distributed	15,800	121,247
Client Escrow Deposits Payable	22,620	22,571
Tenant Security Deposits	2,561	2,561
Deferred Rent Revenue	338	-
Capital Lease Payable - Current Maturities	4,693	-
Note Payable - Current Maturities	15,668	14,820
Mortgage Payable - Current Maturities	26,086	25,003
TOTAL CURRENT LIABILITIES	179,849	240,486
OTHER LIABILITIES		
Capital Lease Payable - Net of Current Maturities	26,687	-
Note Payable - Net of Current Maturities	158,088	173,756
Mortgage Payable - Net of Current Maturities	1,073,716	1,098,809
TOTAL OTHER LIABILITIES	1,258,491	1,272,565
TOTAL LIABILITIES	1,438,340	1,513,051
NET ASSETS		
Unrestricted	898,449	1,147,660
Temporarily Restricted	101,365	100,926
TOTAL NET ASSETS	999,814	1,248,586
TOTAL LIABILITIES AND NET ASSETS	\$ 2,438,154	\$ 2,761,637

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

COMMUNITY LEGAL AID SOCIETY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT, REVENUE, AND GAINS			
Support			
Grants and Contracts	\$ 2,577,286	\$ 416,872	\$ 2,994,158
Contributions	582,533	-	582,533
Total Support	<u>3,159,819</u>	<u>416,872</u>	<u>3,576,691</u>
Revenue			
Court-Awarded Attorney Fees	-	11,137	11,137
Interest Income	586	-	586
Rental Income	38,957	-	38,957
Miscellaneous Income	1,669	-	1,669
Total Revenue	<u>41,212</u>	<u>11,137</u>	<u>52,349</u>
Total Support and Revenue	3,201,031	428,009	3,629,040
Net Assets Released from Donor Restriction for Satisfaction of Program Restrictions	<u>427,570</u>	<u>(427,570)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	<u>3,628,601</u>	<u>439</u>	<u>3,629,040</u>
EXPENSES			
Program Services	<u>3,171,065</u>	<u>-</u>	<u>3,171,065</u>
Support Services			
Management and General	650,380	-	650,380
Fundraising	56,367	-	56,367
Total Support Services	<u>706,747</u>	<u>-</u>	<u>706,747</u>
TOTAL EXPENSES	<u>3,877,812</u>	<u>-</u>	<u>3,877,812</u>
CHANGE IN NET ASSETS	(249,211)	439	(248,772)
NET ASSETS - Beginning of Year	<u>1,147,660</u>	<u>100,926</u>	<u>1,248,586</u>
NET ASSETS - End of Year	<u>\$ 898,449</u>	<u>\$ 101,365</u>	<u>\$ 999,814</u>

2013		
Unrestricted	Temporarily Restricted	Total
\$ 2,641,309	\$ 371,698	\$ 3,013,007
718,037	-	718,037
<u>3,359,346</u>	<u>371,698</u>	<u>3,731,044</u>
-	8,050	8,050
48	-	48
50,352	-	50,352
1,172	-	1,172
<u>51,572</u>	<u>8,050</u>	<u>59,622</u>
3,410,918	379,748	3,790,666
<u>429,226</u>	<u>(429,226)</u>	<u>-</u>
<u>3,840,144</u>	<u>(49,478)</u>	<u>3,790,666</u>
<u>3,171,336</u>	<u>-</u>	<u>3,171,336</u>
708,195	-	708,195
54,580	-	54,580
<u>762,775</u>	<u>-</u>	<u>762,775</u>
<u>3,934,111</u>	<u>-</u>	<u>3,934,111</u>
(93,967)	(49,478)	(143,445)
<u>1,241,627</u>	<u>150,404</u>	<u>1,392,031</u>
<u>\$ 1,147,660</u>	<u>\$ 100,926</u>	<u>\$ 1,248,586</u>

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

COMMUNITY LEGAL AID SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				Total Program and Support Services
	Program Services	Support Services		Total Support Services	
		Management and General	Fundraising		
Salaries	\$ 1,662,591	\$ 342,905	\$ 8,976	\$ 351,881	\$ 2,014,472
Employee Benefits	699,692	136,441	4,269	140,710	840,402
Payroll Taxes	126,850	28,642	734	29,376	156,226
Nonpayroll Insurance	24,330	3,011	-	3,011	27,341
Professional Fees	261,109	5,444	15,600	21,044	282,153
Supplies	27,468	2,051	3,487	5,538	33,006
Telephone	47,394	5,351	-	5,351	52,745
Postage and Shipping	8,931	1,075	844	1,919	10,850
Occupancy	110,416	16,868	-	16,868	127,284
Buildings and Grounds Maintenance	34,880	7,351	-	7,351	42,231
Rental and Maintenance of Equipment	7,463	8,565	-	8,565	16,028
Purchase of Equipment - Under \$5,000	331	282	-	282	613
Printing and Publication	21,786	8,973	3,302	12,275	34,061
Travel	33,600	1,563	-	1,563	35,163
Conferences, Conventions, and Meetings	13,574	1,843	-	1,843	15,417
Membership Dues	8,121	3,054	-	3,054	11,175
Interest	9,434	58,958	-	58,958	68,392
Miscellaneous Expenses	8,485	8,132	19,155	27,287	35,772
Depreciation	64,610	9,871	-	9,871	74,481
TOTAL FUNCTIONAL EXPENSES	\$ 3,171,065	\$ 650,380	\$ 56,367	\$ 706,747	\$ 3,877,812

2013

Program Services	Support Services			Total Program and Support Services
	Management and General	Fundraising	Total Support Services	
\$ 1,686,709	\$ 325,302	\$ 7,776	\$ 333,078	\$ 2,019,787
733,051	233,843	5,632	239,475	972,526
128,527	27,377	592	27,969	156,496
23,567	3,499	-	3,499	27,066
221,039	7,755	15,600	23,355	244,394
25,484	1,771	-	1,771	27,255
43,756	3,360	-	3,360	47,116
8,871	139	1,349	1,488	10,359
102,153	14,380	-	14,380	116,533
26,187	5,089	-	5,089	31,276
30,201	2,281	-	2,281	32,482
557	659	-	659	1,216
15,838	2,578	2,475	5,053	20,891
22,743	2,029	-	2,029	24,772
20,641	1,251	-	1,251	21,892
15,448	1,159	-	1,159	16,607
159	58,269	-	58,269	58,428
1,835	8,365	21,156	29,521	31,356
64,570	9,089	-	9,089	73,659
\$ 3,171,336	\$ 708,195	\$ 54,580	\$ 762,775	\$ 3,934,111

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

COMMUNITY LEGAL AID SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grant Revenue, Contributions, and Other Sources	\$ 3,721,113	\$ 3,936,196
Cash Paid for the Benefit of Employees	(3,011,100)	(3,148,809)
Cash Paid to Vendors	(684,636)	(674,849)
Interest Paid	(68,392)	(58,428)
	(43,015)	54,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(45,583)	(23,768)
Interest Retained in Security Deposit Account	(1)	-
	(45,584)	(23,768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payment of Note Payable	(14,820)	(41,767)
Principal Payment of Mortgage Payable	(24,010)	(24,474)
Payments on Obligations Under Capital Lease	(3,188)	-
	(42,018)	(66,241)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(130,617)	(35,899)
CASH AND CASH EQUIVALENTS - Beginning of Year	315,218	351,117
CASH AND CASH EQUIVALENTS - End of Year	\$ 184,601	\$ 315,218
NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Property and Equipment with Capital Lease	\$ 34,568	\$ -

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

COMMUNITY LEGAL AID SOCIETY, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (248,772)	\$ (143,445)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	74,481	73,659
Increase in Net Client Escrow Deposits	(45)	(91)
Decrease (Increase) in Joint Fundraising Campaign Deposits		
Deposits from Contribution Revenue	130,980	(52,005)
Expenses Incurred and Financed with Note Payable	-	1,130
Changes in Assets		
Grants and Contracts Receivable	(41,408)	201,460
Other Receivables	2,208	4,974
Prepaid Expenses	1,404	8,208
Changes in Liabilities		
Accounts Payable	37,799	(30,993)
Deferred Rent Revenue	338	(8,787)
NET CASH FROM OPERATING ACTIVITIES	\$ (43,015)	\$ 54,110

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

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The Community Legal Aid Society, Inc. (CLASI) is a nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to individuals in the State of Delaware who have low incomes, are elderly, and/or have disabilities. CLASI operates an office in each of Delaware's three counties (New Castle, Kent, and Sussex).

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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, CLASI considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Grant and Contracts Receivable - Grants and contracts receivable consist of amounts due from federal and state governments and other sources in connection with reimbursement of allowable expenditures and contributions made pursuant to grants and contracts and other sources.

Receivables are stated at the amount management expects to collect from its sources. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Grants and contracts receivable are deemed to be fully collectible by management as of December 31, 2014 and 2013.

Property and Equipment - Property and equipment are stated at cost when purchased or fair value when donated. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statements of activities. Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets.

The useful lives of property and equipment for purposes of computing depreciation are as follows:

	<u>Years</u>
Buildings and Improvements	20-39
Furniture and Office Equipment	5-15
Leasehold Improvements	5

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Except for expenses specifically identified and charged directly to a funding source, costs are allocated among the various funding sources based on the legal staff hours charged to each funding source.

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities, support, and revenue are accounted for in the following net asset classifications:

Unrestricted Net Assets - Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees/Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets are subject to donor-imposed stipulations that may be fulfilled by actions of CLASI to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed stipulations that they be retained and invested permanently by CLASI. The donors require CLASI to use all or part of the investment return on these net assets for specified or unspecified purposes. As of December 31, 2014 and 2013, CLASI had no permanently restricted net assets.

Contributions - In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classifications. When a donor or legal restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, CLASI reports the support as unrestricted.

For contributed property and equipment and contributions restricted by donors for purchase of property and equipment, if donors stipulate how long the asset must be used, the contributions are recorded as temporarily restricted support until the restriction lapses.

Income Tax Status - CLASI is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. CLASI has made no provision for federal, state, or local income tax in the accompanying financial statements. In

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status - continued - addition, CLASI has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC.

CLASI accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold.

The federal informational returns of CLASI for the years ended December 31, 2011, 2012, and 2013 remain subject to examination by the IRS.

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - CLASI’s policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated all events and transactions through the date of the independent auditors’ report, which is the date the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment for the years ended December 31, 2014 and 2013:

	<u>2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2014</u>
Land	\$ 395,990	\$ -	\$ -	\$ 395,990
Building and Improvements	1,733,048	44,234	-	1,777,282
Leasehold Improvements	8,803	-	-	8,803
Furniture and Office Equipment	349,161	35,917	-	385,078
	<u>2,487,002</u>	<u>80,151</u>	<u>-</u>	<u>2,567,153</u>
Accumulated Depreciation	<u>(980,469)</u>	<u>(74,481)</u>	<u>-</u>	<u>(1,054,950)</u>
	<u>\$ 1,506,533</u>	<u>\$ 5,670</u>	<u>\$ -</u>	<u>\$ 1,512,203</u>

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 2: PROPERTY AND EQUIPMENT - CONTINUED

	<u>2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2013</u>
Land	\$ 395,990	\$ -	\$ -	\$ 395,990
Building and Improvements	1,733,048	-	-	1,733,048
Leasehold Improvements	8,803	-	-	8,803
Furniture and Office Equipment	<u>325,393</u>	<u>23,768</u>	<u>-</u>	<u>349,161</u>
	2,463,234	23,768	-	2,487,002
Accumulated Depreciation	<u>(906,810)</u>	<u>(73,659)</u>	<u>-</u>	<u>(980,469)</u>
	<u>\$ 1,556,424</u>	<u>\$ (49,891)</u>	<u>\$ -</u>	<u>\$ 1,506,533</u>

NOTE 3: DEBT

Note Payable - On October 29, 2013, CLASI refinanced its bank note payable. The new loan agreement is with Wilmington Savings Fund Society (WSFS) in the original amount of \$190,962. The note payable requires monthly payments of principal and interest in the amount of \$2,080 through maturity on October 29, 2023. The note bears interest at a rate of 5.50% and is collateralized by real property of CLASI located in Dover, Delaware. As of December 31, 2014 and 2013, the outstanding balance on this note payable was \$173,756 and \$188,576, respectively.

Mortgage Loan Payable - On June 16, 2009, CLASI refinanced a mortgage loan with the NCALL with a loan from the U.S. Department of Agricultural Rural Development in the amount of \$1,225,000 at an annual rate of interest of 4.25%. The loan is collateralized by real property of CLASI located in Georgetown, Delaware. The loan matures on June 18, 2039 and requires monthly payments of \$6,027, which consist of both principal and interest. As of December 31, 2014 and 2013, the outstanding balance of this loan was \$1,099,802 and \$1,123,812, respectively.

Scheduled principal payments for both the note and mortgage payable for the next five years and thereafter are as follows:

<u>December 31</u>	
2015	\$ 41,754
2016	43,756
2017	45,907
2018	48,139
2019	50,482
Thereafter	<u>1,043,520</u>
	<u>\$ 1,273,558</u>

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 3: DEBT - CONTINUED

Interest expense on CLASI's debt was \$58,958 and \$58,269 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4: PENSION PLAN

Employees of CLASI are eligible to participate in a tax-sheltered annuity retirement plan. The tax-sheltered annuity retirement arrangement is a defined contribution plan, which allows participants to make voluntary contributions. During the years ended December 31, 2014 and 2013, CLASI contributed amounts equal to 7% of salaries of employees with 1,000 or more regular scheduled hours per year who have completed at least 1 year of service. In addition, if an employee contributes at least 1% of their compensation, CLASI has contributed an additional .25% up to 3% for employees with 20 years of service. There are no past service costs associated with the plan, and employees are fully vested for all contributions on their behalf after 3 years of service with CLASI. Contributions on behalf of participants amounted to \$140,834 and \$151,033 for the years ended December 31, 2014 and 2013, respectively, and are included in employee benefits expense on the statements of functional expenses.

NOTE 5: COLLECTIVE BARGAINING

CLASI recognizes Delaware Legal Aid Workers (DLAW) as the exclusive bargaining representative of senior attorneys, staff attorneys, fellows, senior paralegals, testing coordinators, and patient advocates. Managing attorneys and project directors are not covered by a collective bargaining agreement. For the collective bargaining agreement effective January 1, 2014 through December 31, 2014, twenty-one of CLASI's thirty-nine employees (54%) were subject to the provisions of the agreement. For the collective bargaining agreement effective January 1, 2013 through December 31, 2013, twenty of CLASI's thirty-six employees (56%) were subject to the provisions of the agreement. Terms of a new collective bargaining agreement covering the period from January 1, 2015 through December 31, 2015 were being negotiated as of the date the financial statements were available to be issued.

NOTE 6: LEASE AGREEMENTS AS LESSEE

CLASI leases various office equipment under agreements classified as operating leases expiring through July 2019. Rent expense on the office equipment for the years ended December 31, 2014 and 2013 was \$9,101 and \$18,346, respectively.

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 6: LEASE AGREEMENTS AS LESSEE - CONTINUED

CLASI also leases equipment under an agreement that is classified as a capital lease expiring in January 2019. The cost of equipment under capital leases is included in the statements of financial position as property and equipment. Amortization of assets under capital leases is included in depreciation expense. The following is a summary of the equipment held under capital leases as of December 31:

	2014	2013
Office Equipment	\$ 34,568	\$ -
Less: Accumulated Depreciation	6,337	-
	\$ 28,231	\$ -

CLASI leases office space in Wilmington, Delaware under the terms of an agreement through April 2015. The office lease agreement provides for minimum lease payments plus escalation for real estate taxes and operating costs. Rent expense on the building for the years ended December 31, 2014 and 2013 was \$96,484 and \$87,247, respectively, and is included in occupancy on the statements of functional expenses.

As December 31, 2014, future minimum lease payments and the present value of minimum capital lease payments are as follows:

	Office Equipment - Capital Lease	Office Equipment - Operating Leases	Building - Operating Lease
2015	\$ 13,176	\$ 7,466	\$ 32,161
2016	13,176	2,996	-
2017	13,176	1,548	-
2018	13,176	1,548	-
2019	1,098	903	-
Total Future Minimum Lease Payments	53,802	\$ 14,461	\$ 32,161
Less: Amount Representing Imputed Interest	22,422		
Present Value of Future Minimum Lease Payments	31,380		
Less: Current Maturities	4,693		
Capital Lease Obligations - Net of Current Maturities	\$ 26,687		

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 7: LEASE AGREEMENTS AS LESSOR

CLASI leases office space in its Georgetown and Dover, Delaware offices to six tenants: the Delaware Assistive Technology Initiative, Brain Injury Associates of Delaware, Pressley Ridge, Survivors of Abuse and Recovery, Inc., the Delaware Community Reinvestment Action Council, and First State Community Loan Fund. The leases expire at various dates through June 2019. Rental income for the years ended December 31, 2014 and 2013 was \$38,957 and \$50,352, respectively. As of December 31, 2014, future minimum rental payments to be received on noncancelable operating leases are contractually due as follows:

	<u>December 31</u>
2015	\$ 35,727
2016	27,412
2017	23,343
2018	13,353
2019	<u>2,214</u>
Total	<u>\$ 102,049</u>

NOTE 8: GRANTS AND CONTRACTS

Grants and contracts receivable are considered fully collectible by management and were comprised of the following as of December 31:

	<u>2014</u>	<u>2013</u>
U.S. Department of Health and Human Services	\$ 78,845	\$ 92,718
U.S. Department of Housing and Urban Development	93,542	89,688
U.S. Department of Education	26,399	17,255
U.S. Department of Justice	77,253	21,472
State of Delaware Department of Health and Social Services	35,102	33,504
State of Delaware Criminal Justice Council	14,181	18,306
Delaware Bar Foundation	145,243	156,415
Social Security Administration	18,391	24,335
State of Delaware Grant-in-Aid	68,336	63,336
New Castle County	5,000	2,631
State of Delaware Department of Justice	49,500	49,500
State of Delaware Development Disabilities Council	<u>3,200</u>	<u>4,424</u>
	<u>\$ 614,992</u>	<u>\$ 573,584</u>

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 9: JOINT FUNDRAISING CAMPAIGN FUNDS AMOUNT REMAINING TO BE DISTRIBUTED

On September 3, 1998, CLASI, Delaware Volunteer Legal Services (DVLS), and Legal Services Corporation of Delaware (LSCD) entered into an agreement for a joint fundraising effort. The term of the agreement was extended on January 1, 2008 through December 31, 2013. Another extension to the agreement was ratified for the period January 1, 2014 through December 31, 2016. The total funds collected in each year's campaign are distributed and applied as outlined in the agreement.

The following is a summary of activity for the year ended December 31, 2014:

		\$	916,222
Total Contributions			
Less: Direct Expenses			(56,367)
Net Contributions Distributable			\$ 859,855
	Distributions	Total	Paid
CLASI	\$ 496,845	\$ 477,219	\$ 19,626
DVLS	220,315	211,600	8,715
LSCD	142,695	135,610	7,085
	\$ 859,855	\$ 824,429	35,426
Administrative Expenses Payable			14,500
Total Payables			49,926
Reserve for Future Expense			37,000
Joint Fundraising Campaign Deposits as of December 31, 2014			\$ 86,926
Distributions Payable as of December 31, 2014			\$ 35,426
Amount to be Retained by CLASI			(19,626)
Joint Fundraising Amount Remaining to be Distributed			\$ 15,800

The following is a summary of activity for the year ended December 31, 2013:

		\$	1,035,022
Total Contributions			
Less: Direct Expenses			(54,580)
Net Contributions Distributable			\$ 980,442

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 9: JOINT FUNDRAISING CAMPAIGN FUNDS AMOUNT REMAINING TO BE DISTRIBUTED - CONTINUED

<u>Distributions</u>	<u>Total</u>	<u>Paid</u>	<u>Payable</u>
CLASI	\$ 560,111	\$ 409,505	\$ 150,606
DVLS	248,443	181,567	66,876
LSCD	<u>171,889</u>	<u>117,518</u>	<u>54,371</u>
	<u>\$ 980,443</u>	<u>\$ 708,590</u>	271,853
Administrative Expenses Payable			<u>14,500</u>
Total Payables			286,353
Reserve for Future Expense			<u>37,000</u>
Joint Fundraising Campaign Deposits as of December 31, 2013			<u>\$ 323,353</u>
Distributions Payable as of December 31, 2013			\$ 271,853
Amount to be Retained by CLASI			<u>(150,606)</u>
Joint Fundraising Amount Remaining to be Distributed			<u>\$ 121,247</u>

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Mortgage Foreclosure Mediation	\$ 51,703	\$ 85,804
Protection and Advocacy	-	14,002
Capital	-	1,000
Immigration	45,000	-
Developmental Disabilities	4,542	-
Fellowship-Disability Law	<u>120</u>	<u>120</u>
	<u>\$ 101,365</u>	<u>\$ 100,926</u>

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 11: CONCENTRATIONS

Cash in Excess of Insured Limits - CLASI maintains cash balances at four financial institutions located in Delaware. Deposit accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Uninsured cash balances as of December 31, 2014 and 2013 totaled \$0 and \$101,241, respectively.

Government Contracts - For the years ended December 31, 2014 and 2013, CLASI earned approximately 30% and 20% of its contracts and grant revenues directly from the U.S. Department of Health and Human Services and the Delaware Bar Foundation, respectively.

NOTE 12: CONTINGENCIES

CLASI participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. CLASI is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs.

In the normal course of business, CLASI may be subject to pending or threatened lawsuits in which claims for monetary damage could be asserted. In management's opinion, CLASI's financial position and results of operations would not be materially affected by the outcome of any such legal proceedings.

SINGLE AUDIT



***Independent Auditors' 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***

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

We have audited, 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, the financial statements of Community Legal Aid Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Legal Aid Society, 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 Community Legal Aid Society, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Legal Aid Society, Inc.'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

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

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 Community Legal Aid Society, 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.

Belfint, Lyons & Shuman, P.A.

May 20, 2015
Wilmington, Delaware



***Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by OMB Circular A-133***

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

Report on Compliance for Each Major Federal Program

We have audited Community Legal Aid Society, 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 Community Legal Aid Society, Inc.'s major federal programs for the year ended December 31, 2014. Community Legal Aid Society, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Legal Aid Society, 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 Community Legal Aid Society, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 Community Legal Aid Society, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Legal Aid Society, 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 December 31, 2014.

Report on Internal Control Over Compliance

Management of Community Legal Aid Society, 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 Community Legal Aid Society, 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 Community Legal Aid Society, Inc.'s internal control over compliance.

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.

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

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.

Belfint, Lyons & Shuman, P.A.

May 20, 2015
Wilmington, Delaware

COMMUNITY LEGAL AID SOCIETY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Award Agency/Pass-Through Entity/Program Title	CFDA Number	Expenditures
U.S. Department of Education		
Direct Programs		
Program of Protection and Advocacy of Individual Rights	84.240A	\$ 145,678
Assistive Technology - State Grants for Protection and Advocacy	84.343A	<u>56,053</u>
Total U.S. Department of Education		<u>201,731</u>
U.S. Department of Health and Human Services		
Direct Programs		
Protection and Advocacy for Individuals with Mental Illness	93.138	391,021
Developmental Disabilities Basic Support and Advocacy Grants	93.630	371,998
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	93.618	113,267
State Grants for Protection and Advocacy Services	93.267	31,007
Indirect Programs		
Passed through State of Delaware, Department of Health and Social Services, Division of Aging and Adults with Physical Disabilities		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	64,041
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects - ARRA Funded	93.048	<u>55,032</u>
Total U.S. Department of Health and Human Services		<u>1,026,366</u>
Social Security Administration		
Direct Programs		
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	<u>121,425</u>
U.S. Department of Housing and Urban Development		
Direct Programs		
Private Enforcement Initiatives	14.418	311,807
Passed through New Castle County, Delaware Community Development Block Grants/Entitlement Grants	14.218	<u>10,000</u>
Total U.S. Department of Housing and Urban Development		<u>321,807</u>
U.S. Department of Justice		
Direct Programs		
Office of Violence Against Women - Legal Assistance for Victims	16.524	221,418
Passed through State of Delaware - Criminal Justice Council - Crime Victim Assistance	16.575	<u>57,520</u>
Total U.S. Department of Justice		<u>278,938</u>
Total Federal Awards		<u><u>\$ 1,950,267</u></u>

COMMUNITY LEGAL AID SOCIETY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Community Legal Aid Society, Inc. (CLASI) under programs of the federal government for the year ended December 31, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of CLASI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CLASI.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principle for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

COMMUNITY LEGAL AID SOCIETY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? Yes No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? Yes None Reported

Noncompliance Material to Financial Statements Noted? Yes No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? Yes No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? Yes None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.418	Private Enforcement Initiatives
93.138	Protection and Advocacy for Individuals with Mental Illness
93.630	Developmental Disabilities Basic Support and Advocacy Grants

Dollar Threshold Used to Distinguish between Type A and Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? Yes No

COMMUNITY LEGAL AID SOCIETY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2014

II. Financial Statement Findings

No Current Year Findings

III. Federal Award Findings and Questioned Costs

No Current Year Findings

Current Status of Prior Year Findings