CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

FINANCIAL STATEMENTS
JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charlotte Center for Legal Advocacy, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Center for Legal Advocacy, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Charlotte Center for Legal Advocacy, Inc., as of June 30, 2018 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 Organization's 2017 financial statements, and our report dated February 13, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
February 9, 2019

MEMBER: AMERICAN INSTITUTE OF CPAs & NORTH CAROLINA ASSOCIATION OF CPAs

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Statement of Financial Position

June 30, 2018, with prior year comparative totals

	June 30,	
	2018	2017
ASSETS		
Current Assets:		
Cash	$ 456,420	$ 657,941
Investments - certificates of deposit	69,195	69,050
Accounts Receivable:		
Grants	1,441,075	1,333,546
Other	3,205	13,401
Sales taxes	12,954	4,979
Prepaid expenses	48,196	57,201
Total Current Assets	***2,031,045***	***2,136,118***
Non-Current Assets:		
Beneficial interest in quasi-endowment fund	52,899	31,737
Property and Equipment - Net	385,351	428,267
TOTAL ASSETS	***$ 2,469,295***	***$ 2,596,122***
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 33,990	$ 18,516
Funds held for others	54,882	88,069
Accrued payroll and withholdings	224,226	199,479
Total Current Liabilities	***313,098***	***306,064***
Net Assets:		
Unrestricted:		
Board-designated	127,899	106,737
Property	385,351	428,267
Undesignated	484,666	535,010
Total Unrestricted	***997,916***	***1,070,014***
Temporarily restricted	1,158,281	1,220,044
Total Net Assets	***2,156,197***	***2,290,058***
TOTAL LIABILITIES AND NET ASSETS	***$ 2,469,295***	***$ 2,596,122***

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Statement of Activities

Year Ended June 30, 2018, with prior year comparative totals

	Year Ended June 30, 2018			2017
	Unrestricted	Temporarily Restricted	TOTALS	Comparative Totals
SUPPORT AND REVENUE				
Support:				
Contributions	$ 445,470	$ -	$ 445,470	$ 484,332
Grants	602,993	1,555,149	2,158,142	2,525,317
In-kind contributions	596,104	-	596,104	560,864
Special events (net of $246,771 direct benefit)	12,340	-	12,340	37,878
Revenue:				
Rental income	62,800	-	62,800	62,800
Contract revenue	5,000	-	5,000	68,696
Fees and attorney awards	56,413	-	56,413	182,413
Investment and other	8,873	-	8,873	10,416
Net Assets Released from Restrictions	1,616,912	(1,616,912)	-	-
Total Support and Revenue	***3,406,905***	***(61,763)***	***3,345,142***	***3,932,716***
EXPENSES				
Program services	3,039,143	-	3,039,143	3,040,423
Management and general	231,631	-	231,631	183,231
Fundraising	208,229	-	208,229	206,742
Total Expenses	***3,479,003***	***-***	***3,479,003***	***3,430,396***
CHANGE IN NET ASSETS	***(72,098)***	***(61,763)***	***(133,861)***	***502,320***
NET ASSETS, BEGINNING	***1,070,014***	***1,220,044***	***2,290,058***	***1,787,738***
NET ASSETS, ENDING	***$ 997,916***	***$ 1,158,281***	***$ 2,156,197***	***$ 2,290,058***

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Statement of Functional Expenses

Year Ended June 30, 2018, with prior year comparative totals

	Year Ended June 30, 2018				2017
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
Salaries and Benefits:					
Salaries:					
Staff attorneys	$ 1,008,821	$ 32,468	$ 32,385	$ 1,073,674	$ 1,006,584
Paralegal and program	461,797	-	-	461,797	526,140
Administrative	70,402	104,941	98,103	273,446	240,504
Support staff	45,519	12,759	3,862	62,140	64,496
Employee benefits	320,037	31,318	28,402	379,757	404,978
Payroll taxes	115,481	11,301	10,249	137,031	135,956
Total	***2,022,057***	***192,787***	***173,001***	***2,387,845***	***2,378,658***
Other Expenses:					
Attorneys fees (in-kind)	596,104	-	-	596,104	560,864
Occupancy	96,457	9,439	8,560	114,456	108,523
Travel and training	37,772	3,696	3,352	44,820	40,933
Other program costs	37,733	3,692	3,349	44,774	46,333
Information technology	37,537	3,673	3,331	44,541	40,259
Events	-	-	246,771	246,771	33,238
Communications	27,146	2,656	2,409	32,211	31,189
Outside services	21,627	2,116	1,919	25,662	39,541
Publications and references	17,952	1,757	1,593	21,302	19,328
Supplies	17,625	1,725	1,564	20,914	21,354
Equipment costs	17,044	1,668	1,513	20,225	31,120
Bad debt	19,928	-	-	19,928	-
Postage and delivery	14,490	1,418	1,286	17,194	16,584
Dues	12,252	1,199	1,087	14,538	16,469
Insurance	11,980	1,172	1,063	14,215	15,394
Litigation costs	4,094	-	-	4,094	5,022
Total	***969,741***	***34,211***	***277,797***	***1,281,749***	***1,026,151***
Total Expenses Before Depreciation	2,991,798	226,998	450,798	3,669,594	3,404,809
Depreciation Expense	47,345	4,633	4,202	56,180	58,825
TOTAL EXPENSES	***$ 3,039,143***	***$ 231,631***	***$ 455,000***	***$ 3,725,774***	***$ 3,463,634***
Less - Special Events Costs Deducted from Revenue	-	-	(246,771)	(246,771)	(33,238)
NET EXPENSES	***$ 3,039,143***	***$ 231,631***	***$ 208,229***	***$ 3,479,003***	***$ 3,430,396***

CHARLOTTE CENTER FOR LEGAL ADVOCACY, INC.

Statement of Cash Flows

Year Ended June 30, 2018, with prior year comparative totals

	June 30, 2018	June 30, 2017
OPERATING ACTIVITIES		
Change in net assets	$ (133,861)	$ 502,320
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	56,180	58,825
Unrealized (gain) loss on investments	(2,999)	(2,704)
(Increase) decrease in operating assets:		
Receivables	(105,308)	(182,830)
Prepaid expenses	9,005	(6,168)
Increase (decrease) in operating liabilities:		
Accounts payable	15,474	2,468
Funds held for others	(33,187)	21,211
Accrued payroll and withholdings	24,747	(4,231)
Cash Flows from Operating Activities	***(169,949)***	***388,891***
INVESTING ACTIVITIES		
Purchases of fixed assets	(13,264)	(3,797)
Purchases of investments	(18,308)	(4,006)
Cash Flows from Investing Activities	***(31,572)***	***(7,803)***
FINANCING ACTIVITIES		
Proceeds from line of credit	-	50,000
Principal paid on line of credit	-	(50,000)
Cash Flows from Financing Activities	-	-
NET CHANGE IN CASH	***(201,521)***	***381,088***
CASH, BEGINNING	***657,941***	***276,853***
CASH, ENDING	***$ 456,420***	***$ 657,941***

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities
Charlotte Center for Legal Advocacy, Inc. (the "Organization"), formerly known as Legal Services of Southern Piedmont, Inc. is a North Carolina not-for-profit corporation that began operations in 1967 and has its principal office in Charlotte. The purpose of the Organization 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. The Organization also provides services for the elderly community in the Charlotte area. During the period of this report, the Organization, an United Way agency, primarily served individuals and families living in the Charlotte metropolitan area and west-central North Carolina whose income does not exceed 200 percent of the federal poverty level.

Funding sources
The Organization 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 accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Unrestricted net assets* – Unrestricted net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized to meet specific objectives. Such amounts, if any, are reflected as unrestricted, designated net assets in the accompanying statement of financial position.
>
> *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
>
> *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year ended June 30, 2018, the Organization had no permanently restricted net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Presentation
Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. The Organization 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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expenses are recorded as decreases in unrestricted net assets.

Donated professional services
Certain services are donated by various attorneys, law students and paralegals in the Organization service area at no charge in connection with the Access to Justice Pro Bono Program. Such donated services have been reflected in the accompanying financial statements, based on estimated salary rates, payroll taxes, and employee benefits. If the Organization employed these individuals to perform these services, the estimated cost is $105 per hour.

Other donated goods and services
No other amounts have been reflected in the financial statements for donated goods and services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management, and fundraising efforts. The Organization 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
The Organization allows employees to carry over up to 150 hours of compensated absences at the end of the calendar year. During the year, employees are allowed to accrue more than 150 hours, and are paid for the entire amount upon leaving the Organization. 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
The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Organization is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Organization's 2017 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 the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Certificates of deposit
Certificates of deposit are reported at cost plus accrued interest, which approximates fair value. The balance as of June 30, 2018, consists of two certificates of deposit, with maturities of three and six months.

Beneficial interest
The Organization's quasi-endowment fund is managed by Foundation for the Carolinas and is carried on the books at its fair value, which is estimated by Foundation for the Carolinas.

Investment income
Investment income for the year ended June 30, 2018, is comprised of the following:

Interest and dividend income	$	1,506
Change in value of beneficial interest		2,999
TOTAL	$	4,505

Fair value
Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

NOTE 2 – INVESTMENTS, continued

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's certificates of deposit are classified as Level 2 assets and fair value is determined based on cost plus accrued interest. The Organization's investments at Foundation for the Carolinas are classified as Level 3 assets and fair value is determined based on the value of the underlying assets, which consist of investments some of which are publicly-traded and some of which are not.

The following table sets forth a summary of changes in the fair value of the Organization Level 3 assets for the year ended June 30, 2018:

Balance, beginning of year	$ 31,737
Purchases	18,163
Sales	(500)
Net increase in value	2,999
Balance, end of year	$ 52,399

Quasi-endowment policies
Quasi-endowment investments are managed by Foundation for the Carolinas, which has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions while growing the funds. Actual returns in any given year will vary.

NOTE 3 – RECEIVABLES

Bad debts
Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. All receivables are presented at net realizable value and are expected to be collected in the next fiscal year. No allowance for bad debt has been provided as management believes that the bad debt allowance would not be material in relation to the financial statements.

NOTE 4 – PROPERTY AND EQUIPMENT

Basis of presentation
Fixed assets are capitalized at cost if purchased or fair value if donated, subject to a $2,500 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. The Organization 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 and equipment, to 30 years for the building and building improvements. Salvage values are not utilized.

Balance at June 30, 2018
Fixed assets at June 30, 2018 consisted of the following:

Land	$ 206,367
Building	359,791
Building improvements	214,268
Furniture and equipment	146,562
TOTAL COST	926,988
Less - accumulated depreciation	(541,637)
PROPERTY AND EQUIPMENT – NET	$ 385,351

NOTE 5 – NET ASSETS

Board-designated
The Organization Board of Directors has resolved that the following designated funds be established:

Quasi-Endowment Fund – The Board has established a quasi-endowment fund at the Foundation of the Carolinas with a fair value at year-end of $52,899.

Designated Impact Advocacy Fund – The Board established an impact advocacy fund with an initial funding of $50,000 for representation of groups, for community economic development, for legislative and administrative advocacy, and for impact legislation. The Executive Director is authorized to use funds for each activity or incident up to $25,000 without Board approval and shall maintain separate accounting for such expenditures.

Designated Building Repair and Improvement Fund – The Board established a building repair and improvement fund with an initial funding of $25,000. The fund is to be used for repair and improvement of real estate owned and operated by the Organization beyond normal costs that are provided for in the budget. The Executive Director is authorized to use funds up to $25,000 without Board approval.

Temporarily restricted
Temporarily restricted activity for the year was as follows:

	Beginning	Received	Released	Ending
Navigator	$ 22,603	$ -	$ 22,603	$ -
Mecklenburg County	238,000	238,000	238,000	238,000
Kate B. Reynolds	23,705	57,837	70,165	11,377
United Way	157,473	195,000	157,473	195,000
Equal Justice Works	30,011	-	30,011	-
IOLTA	54,947	93,750	101,822	46,875
Internal Revenue Service	50,000	100,000	100,000	50,000
Legal Orientation Program	14,762	91,344	89,749	16,357
Sisters of Mercy	37,500	-	37,500	-
Southern REACH	23,750	-	23,750	-
Z. Smith Reynolds	20,625	121,250	41,250	100,625
GCC Elder Abuse	1,835	37,968	39,803	-
Equal Justice Works Elder Abuse	-	49,000	36,750	12,250
Leon Levine Foundation	-	80,000	40,000	40,000
National Health Law Program	-	50,000	20,833	29,167
RWJ Justice Center	-	80,000	33,333	46,667
CPCC Single Stop	-	40,000	20,000	20,000
NC Child	-	5,000	1,000	4,000

NOTE 5 – NET ASSETS, continued

	Beginning	Received	Released	Ending
Mecklenburg Bar Foundation	7,500	-	7,500	-
North Carolina Bar Foundation	10,000	20,000	20,000	10,000
NC Housing Finance Agency	-	78,000	78,000	-
Bank of America Foreclosure	27,500	108,000	81,500	54,000
Bank of America Redevelopment	412,320	-	180,101	232,219
CHS Medical Legal Partnership	32,500	95,000	87,500	40,000
Hispanics in Philanthropy	16,667	-	16,667	-
VOCA	37,852	-	37,852	-
Charlotte Mecklenburg Housing	-	15,000	3,750	11,250
Community Link Veterans	494	-	-	494
TOTAL	$ 1,220,044	$ 1,555,149	$ 1,616,912	$ 1,158,281

Net assets released
During the year $972,973 of restricted net assets were released by expiration of time restrictions and $643,939 of restricted net assets were released by payment for restricted purposes.

NOTE 6 – LINE OF CREDIT

The Organization has available a line of credit of up to $150,000 from a local financial institution which matures in June 2018. Payments of interest only at the Bank's prime rate are required. At June 30, 2018, there was no balance due. No interest expense was paid during the year.

NOTE 7 – LEASES

Operating leases
The Organization has entered into non-cancelable operating lease agreements for office space and a mail machine. Lease payments made during the year ended June 30, 2018 were $46,019. Future minimum payments under operating leases are $35,518 for 2019.

NOTE 8 – CONCENTRATIONS OF RISK

Geographic area
The Organization operates in a small geographic area, and is therefore sensitive to changes in the local economy.

Cash
Cash held in bank accounts is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at June 30, 2018, included $64,268 of cash in excess of insured limits.

NOTE 8 – CONCENTRATIONS OF RISK, continued

Funding
During the year ended June 30, 2018, the Organization 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 the Organization.

NOTE 9 – RETIREMENT PLAN

The Organization provides a 401(k) plan for the benefit of its employees. Contributions to the Plan are made at the discretion of the Organization Board of Directors and employee contributions are also permitted. Contributions are allocated to employees based on compensation and employees are fully vested in employer contributions after four years. A more detailed description of the Plan is available in the Summary Plan Description. For the year ended June 30, 2018, the Organization accrued a contribution to the Plan of $90,000.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.