

BLUE RIDGE LEGAL SERVICES, INC.

**Financial Statements
and
Accompanying Information
for the years ended
December 31, 2009 and 2008**

BLUE RIDGE LEGAL SERVICES, INC.

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Barcalow & Hart, P.L.L.C.
Certified Public Accountants

Report of Independent Certified Public Accountants

The Board of Directors
Blue Ridge Legal Services, Inc.
Harrisonburg, Virginia

We have audited the accompanying statements of financial position of Blue Ridge Legal Services, Inc. as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of Blue Ridge Legal Services, Inc. Our responsibility is to express an opinion on these financial statements based on our audits. The prior-year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated March 25, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with generally accepted auditing standards of the United States, 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 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 audits provide 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 Blue Ridge Legal Services, Inc. as of December 31, 2009 and 2008, and the changes in its net assets, and its cash flows for the year ended December 31, 2009 in conformity with generally accepted accounting principles of the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010 on our consideration of Blue Ridge Legal Services, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

The accompanying information shown in the statement of activities for the year ended December 31, 2008 Total column and the schedule of expenditures of federal awards; as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Schedule of support, revenue and expenses for the year ended December 31, 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information was subjected to the auditing procedures applied in the audit of the basic financial statements for 2009 and 2008 and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barcalow & Hart, P.L.L.C.

Barcalow & Hart, P.L.L.C.
Richmond, Virginia
March 26, 2010

BLUE RIDGE LEGAL SERVICES, INC.

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Statements of Financial Position

December 31, 2009 and 2008

Assets

	<u>2009</u>	<u>2008</u>
Current assets		
Cash	\$ 226 174	\$ 374 330
Investments	151 822	-
Cash in escrow, client deposits	9 902	2 199
Contributions receivable	886 134	695 355
Support receivable	35 178	5 677
Prepaid expenses	<u>10 281</u>	<u>1 465</u>
Total current assets	<u>1 319 491</u>	<u>1 079 026</u>

Property and equipment

Land	6 724	6 724
Building and improvements	134 125	134 125
Furniture, fixtures and equipment	441 590	416 830
Law library	<u>18 695</u>	<u>18 695</u>
	601 134	576 374
Less accumulated depreciation	<u>501 950</u>	<u>475 341</u>
Total property and equipment	<u>99 184</u>	<u>101 033</u>

Total assets

\$ 1 418 675 \$ 1 180 059

Liabilities and net assets

Current liabilities

Accounts payable	\$ 9 015	\$ 14 522
Accrued annual leave	65 243	53 823
Deferred revenue	141 135	16 751
Client deposits	<u>9 902</u>	<u>2 199</u>
Total current liabilities	<u>225 295</u>	<u>87 295</u>

Commitments

Net assets

Unrestricted	284 493	259 913
Temporarily restricted	<u>908 887</u>	<u>832 851</u>
Total net assets	<u>1 193 380</u>	<u>1 092 764</u>

Total liabilities and net assets

\$ 1 418 675 \$ 1 180 059

See notes to financial statements.

BLUE RIDGE LEGAL SERVICES, INC.

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Statement of Activities

For the Year Ended December 31, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Federal grants	\$ 94 440	\$ 818 008	\$ 912 448	\$ 801 252
State grants	651 890	-	651 890	576 673
Other support	256 085	68 126	324 211	361 136
Interest	4 331	-	4 331	6 208
Donated services	361 109	-	361 109	371 027
Contributions	19 660	-	19 660	31 592
	<u>1 387 515</u>	<u>886 134</u>	<u>2 273 649</u>	<u>2 147 888</u>
Net assets released from restrictions				
Expiration of time or purpose restrictions	<u>810 098</u>	<u>(810 098)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2 197 613</u>	<u>76 036</u>	<u>2 273 649</u>	<u>2 147 888</u>
Expenses				
Program services				
Legal assistance	1 967 237	-	1 967 237	1 834 030
Supporting services				
Management and general	198 036	-	198 036	224 695
Fund-raising expenses	<u>7 760</u>	<u>-</u>	<u>7 760</u>	<u>7 324</u>
Total expenses	<u>2 173 033</u>	<u>-</u>	<u>2 173 033</u>	<u>2 066 049</u>
Change in net assets	24 580	76 036	100 616	81 839
Net assets at beginning of year	<u>259 913</u>	<u>832 851</u>	<u>1 092 764</u>	<u>1 010 925</u>
Net assets at end of year	<u>\$ 284 493</u>	<u>\$ 908 887</u>	<u>\$ 1 193 380</u>	<u>\$ 1 092 764</u>

See notes to financial statements.

BLUE RIDGE LEGAL SERVICES, INC.

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Statement of Cash Flows

For the Year Ended December 31, 2009

Cash flows from operating activities

Change in net assets	\$ 100 616
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities	
Depreciation	26 609
(Increase) decrease in contributions receivable	(190 779)
(Increase) decrease in other receivables	(29 501)
(Increase) decrease in prepaid expenses	(8 816)
Increase (decrease) in accounts payable	(5 507)
Increase (decrease) in deferred revenue	124 384
Increase (decrease) in accrued vacation	<u>11 420</u>

Net cash provided by (used in) operations 28 426

Cash flows provided by (used in) investing activities

Additions to property and equipment	(24 760)
Additions to investments	<u>(151 822)</u>

Net cash provided by (used in) investing activities (176 582)

Net increase (decrease) in cash and cash equivalents (148 156)

Cash and cash equivalents, beginning of year 374 330

Cash and cash equivalents, end of year \$ 226 174

See notes to financial statements.

**Notes to Financial Statements
December 31, 2009****Note 1 - Summary of significant accounting policies***Nature of activities*

Blue Ridge Legal Services, Inc. is a non-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance in the western Virginia areas. The corporation is funded primarily by grants from the Legal Services Corporation (LSC), a non-profit organization established by Congress to administer a nationwide legal assistance program, Legal Services Corporation of Virginia, a non-profit organization at the state level, contributions from the local government units within the Corporation's service area, and from various other grants and contributions.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. Historically, there have not been significant differences between the amounts allocated and collected, accordingly, no provision has been made for uncollectible amounts.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Corporation 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. At the present time, the Corporation does not have any permanently restricted net assets.

Estimates

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

**Notes to Financial Statements
December 31, 2009****Note 1 - Summary of significant accounting policies (continued)***Cash equivalents*

For purposes of the statement of cash flows, the Corporation considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Grant and contract support

The Corporation recognizes grants from LSC as support on a straight-line basis over the grant period. Any grant remaining unexpended at the end of an accounting period is recorded in the LSC net assets balance. In accordance with normal LSC policies, the Corporation may use unspent funds in future periods as long as expenses incurred are in compliance with specified terms of the LSC grant, as defined. LSC may, at its discretion, request reimbursement for expenses or return of grants, or both, as a result of noncompliance by the Corporation with the terms of the grant. In addition, if the Corporation terminates its LSC grant activities, all unexpended amounts are to be returned to LSC.

The Corporation receives greater than 10% of its grant revenue from each of the following grantors:

Legal Services Corporation	40 %
Legal Services Corporation of Virginia	34 %

Grants are restricted by virtually all funding sources as to geographic region in which they may be spent. In addition, certain funding sources also restrict the purpose for which their grant may be used.

Donated services

The Corporation recognizes donated services as support. Donated services represent the involvement of attorneys and paralegals in the delivery of free legal assistance to eligible clients in conjunction with the Private Attorney Involvement program. A matching expense is also recorded. The value of the donated services is recorded at approximate market value. Other in-kind contributions are recorded when received at fair value as income and expense.

Property and equipment

Property, plant and equipment are stated at cost, if purchased, and at fair value at date of receipt, if donated. Expenditures of \$1,000 or more for acquisition, renewals and betterments are capitalized, whereas maintenance and repair costs are charged to expense as incurred. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to operations. The Legal Services Corporation has a reversionary interest in assets purchased with contract funds; therefore, proceeds from sales of property and equipment may be transferred to Legal Services Corporation net assets to be used for general program purposes.

(continued)

**Notes to Financial Statements
December 31, 2009****Note 1 - Summary of significant accounting policies (concluded)***Property and equipment (continued)*

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets. Useful lives range from 25 years for buildings, 5 to 10 years for furniture, fixtures and equipment, 5 to 25 years for leasehold improvements.

The Corporation capitalized the original cost of the books, reference materials, and multiple volume sets of law books which make up the law library. All updates are expensed as incurred. The Corporation estimates the salvage value of its law library at \$5,000 with a useful life of 12 years.

Allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Notes on Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

Advertising

The Corporation expenses advertising costs as incurred, which amounted to \$10,645 for the current year.

Income taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The corporation is also exempt from Virginia income taxes and, therefore, has made no provision for the federal or Virginia income taxes. In addition, the Internal Revenue Service has determined that the corporation is not a "private foundation" within the meaning of Section 509(a) of the Code.

Investments

Investments are in certificate of deposits for one year or less and have readily determinable fair values and all investments are reported at their fair values which also approximate cost. The value of investments as of December 31, 2009 is \$151,822.

Note 2 - Property and equipment accumulated depreciation

A summary of property and equipment accumulated depreciation follows:

	<u>2009</u>	<u>2008</u>
Building and improvements	\$ 104 641	\$ 101 622
Furniture, fixtures, library and equipment	<u>397 309</u>	<u>373 719</u>
	<u>\$ 501 950</u>	<u>\$ 475 341</u>

Depreciation expense aggregated \$26,609 in the current year.

BLUE RIDGE LEGAL SERVICES, INC.

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Notes to Financial Statements December 31, 2009

Note 3 - Private Attorney Involvement (PAI)

The Corporation devoted over twelve and one-half percent (12.5%) of its current LSC annualized basic field grant toward the involvement of private attorneys in providing legal services.

Below is a summary of PAI support and expenses for the year ended December 31, 2009:

LSC basic field grant		\$ 757 598
LSC-PAI requirement		<u>12.5%</u>
Total LSC support for PAI		94 700
Total PAI expenses	466 680	
Less donated services	<u>353 968</u>	
Total net expenditures for PAI		<u>112 712</u>
Meets PAI requirement		\$ <u>(18 012)</u>

Note 4 - Concentration of funding

Blue Ridge Legal Services, Inc. is funded primarily through grants from Legal Services Corporation and Legal Services Corporation of Virginia. The following information summarizes the Corporation's grant and contract activity during the current year:

<u>Description</u>	<u>Support</u>
Legal Services Corporation basic field grant	\$ 757 598
United Way Agencies	
Harrisonburg and Rockingham	41 569
Greater Augusta	28 769
Northern Shenandoah Valley	18 643
Front Royal and Warren	4 410
Lexington and Rockbridge	9 000
Roanoke	9 561
Other designations	1 560
Franklin	5 000
Greater Alleghany	8 377
Less: support received without time restrictions	<u>(74 389)</u>
Total support released from time restrictions	<u>\$ 810 098</u>

BLUE RIDGE LEGAL SERVICES, INC.

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Notes to Financial Statements December 31, 2009

Note 4 - Concentration of funding (concluded)

<u>Description</u>		<u>Support</u>
Legal Service Corporation of Virginia (LSCV)		
State	\$	586 787
IOLTA		<u>65 103</u>
Total LSCV support	\$	<u>651 890</u>
Federal awards		
Valley Program (Title III-Older Americans Act)	\$	15 619
Shenandoah Area (Title III-Older Americans Act)		14 692
V-Stop Grant		16 629
Domestic Violence Grant		47 500
Legal Services Corporation (temporarily restricted)		<u>818 008</u>
Total federal support	\$	<u>912 448</u>
Other grants and contributions		
City of Harrisonburg	\$	9 017
Clarke County		2 000
Rockbridge County		1 976
Rockingham County		5 144
City of Roanoke		12 000
Warren County		2 631
City of Lexington		995
Shenandoah County		2 000
Bath County		581
Alleghany County		1 691
Page County		2 560
Frederick County		3 168
Other income		137 933
United Way agencies		<u>74 389</u>
Unrestricted support from other grants and contributions		256 085
United Way Agencies (temporarily restricted)		<u>68 126</u>
Total support from other grants and contributions	\$	<u>324 211</u>

Notes to Financial Statements December 31, 2009

Note 5 - Temporarily restricted net assets

Temporarily restricted net assets from the United Way in the amount of \$68,126, other contributions \$22,753 and Legal Services Corporation in the amount of \$818,008 are available for the period after December 31, 2009.

Net assets were released from donor restrictions by satisfying the time restrictions specified by the United Way in the amount of \$52,500 and from Legal Services Corporation in the amount of \$757,598.

Note 6 - Concentration of credit risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of cash and unsecured receivables. Cash accounts are maintained in several financial institutions in western Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the current year and prior year. Balances may at times exceed the insured maximum, but management believes there is no significant credit risk. Management believes there is no significant credit risk for accounts receivables because of close monitoring.

Note 7 - Comparative amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Note 8 - Pension plan

The Corporation established in 1997 a defined contribution pension plan covering substantially all employees which qualifies under Section 403(b) of the Internal Revenue Code, in which employees may elect to have amounts withheld from their salaries and invested in tax deferred annuities. The Corporation contributed \$71,140 to the plan in 2009. The Corporation shall determine, in its sole discretion, the amount of employer contributions to be made to the plan.

**Notes to Financial Statements
December 31, 2009**

Note 9 - Commitments

The Corporation leases its Winchester office space under an operating lease at \$1,916 per month over a ten year lease ending in 2019.

The Staunton office is rented at \$315 per month on a month-to-month basis.

The Roanoke office signed a five-year lease in 2004 for office space with a payment of \$1,326 per month. There is a clause in the Roanoke lease if funding is cut by 40% or more the corporation may give three months notice and be released from the remainder of the lease contract.

The Lexington office operates under a two year lease ending June 30, 2006 with minimum monthly lease payment of \$1,412. There is a clause in the Lexington lease if funding is cut by 30% from the law clinic or 20% overall revenue reduction, the lease may be modified.

Total future minimum monthly lease payments are as follows:

2010	\$	23 063
2011		23 293
2012		23 526
2013		23 762
2014		23 999
Future year		<u>116 235</u>
	\$	<u><u>233 878</u></u>

Rental expense under these leases totaled \$53,618 in the current year.

Accompanying Information

**Notes to Financial Statements
December 31, 2009**

Note 10 - Functional expenses, year ended December 31, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Lawyer wages	\$ 711,715	\$ 77,740	\$ 3,101	\$ 792,556
Paralegal wages	42,388	4,710	-	47,098
Non-legal wages	306,955	47,851	2,118	356,924
Donated services and equipment	353,968	-	-	353,968
Employee benefits	290,847	37,787	1,514	330,148
Travel	30,727	4,600	402	35,729
Rent	47,720	5,898	-	53,618
Utilities and telephone	39,823	4,712	210	44,745
Office supplies, postage and printing	26,602	3,008	415	30,025
Advertising	9,474	1,171	-	10,645
Insurance	8,512	946	-	9,458
Professional dues	10,176	536	-	10,712
Repairs and maintenance	13,352	2,174	-	15,525
Litigation expense	2,850	-	-	2,850
Equipment rental	1,483	241	-	1,724
Training and conferences	2,398	266	-	2,664
Independent contracts	11,825	1,925	-	13,750
Library materials	19,679	-	-	19,679
Miscellaneous	4,582	746	-	5,328
Website	9,278	-	-	9,278
Depreciation	22,884	3,725	-	26,609
Total expenses	\$ <u>1,967,237</u>	\$ <u>198,036</u>	\$ <u>7,760</u>	\$ <u>2,173,033</u>

Statement of Support, Revenue, and Expenses
 Year Ended December 31, 2009
 (With Summarized Financial Information for the Year Ended December 31, 2008)

	2009							Temporarily Restricted	2009 Total	2008 Total
	Unrestricted			Property and Equipment	Total Unrestricted	2009 Total	2008 Total			
	Legal Services Corporation PAI	Legal Services Corporation of Virginia	United Way							
Support and revenue										
Grants and contracts	\$ -	\$ -	\$ 74,389	\$ 141,034	\$ -	\$ 867,313	\$ 886,134	\$ 1,753,447	\$ 1,610,039	
Interest	4,331	-	-	-	-	4,331	-	4,331	6,208	
Donated services and equipment	-	361,109	-	-	-	361,109	-	361,109	371,027	
Contributions	-	-	-	19,660	-	19,660	-	19,660	31,592	
Other income	-	-	-	135,102	-	135,102	-	135,102	129,022	
Net assets released from restrictions										
Expiration of time or purpose restrictions	662,898	94,700	52,500	-	-	810,098	(810,098)	-	-	
Total support and revenue	667,229	455,809	126,889	295,796	-	2,197,613	76,036	2,273,649	2,147,888	
Expenses										
Lawyer wages	270,424	6,214	58,515	176,223	-	792,556	-	792,556	687,462	
Paralegal wages	22,513	-	4,354	3,511	-	47,098	-	47,098	45,235	
Non-legal wages	103,769	73,007	24,790	28,552	-	356,924	-	356,924	365,649	
Donated services and equipment	-	353,968	-	-	-	353,968	-	353,968	363,527	
Employee benefits	152,212	17,191	22,813	20,662	-	330,148	-	330,148	295,600	
Travel	17,029	-	2,469	8,915	-	35,729	-	35,729	41,301	
Rent	7,746	10,145	3,705	6,535	-	53,618	-	53,618	48,845	
Utilities and telephone	25,727	1,522	3,092	2,203	-	44,745	-	44,745	45,445	
Office supplies, postage and printing	9,380	887	2,075	4,322	-	30,025	-	30,025	22,743	
Advertising	6,917	-	736	2,992	-	10,645	-	10,645	9,003	
Insurance	2,000	865	654	2,503	-	9,458	-	9,458	9,200	
Professional dues	-	651	-	-	-	10,712	-	10,712	9,299	
Repairs and maintenance	8,256	-	1,073	5,545	-	15,525	-	15,525	31,377	
Litigation expense	605	1,240	-	-	-	2,850	-	2,850	4,401	
Equipment rental	966	-	119	27	-	1,724	-	1,724	1,986	
Training and conferences	802	202	184	261	-	2,664	-	2,664	4,292	
Independent contracts	6,040	350	950	1,522	-	13,750	-	13,750	9,792	
Library materials	7,478	351	1,360	3,522	-	19,679	-	19,679	19,346	
Miscellaneous	780	87	-	-	-	5,328	-	5,328	6,076	
Website	9,278	-	-	-	-	9,278	-	9,278	21,500	
Depreciation	-	-	-	-	26,609	26,609	-	26,609	23,970	
Total expenses	651,922	466,680	126,889	267,295	26,609	2,173,033	-	2,173,033	2,066,049	
Change in net assets	15,307	(10,871)	-	28,501	(26,609)	24,580	76,036	100,616	81,839	
Net assets at beginning of year	(1,284)	-	-	130,058	101,033	259,913	832,851	1,092,764	1,010,925	
Add (deduct) acquisition of property Transfers	(3,152) (10,871)	- 10,871	- -	- -	24,760 -	- -	- -	- -	- -	
Net assets at end of year	\$ -	\$ -	\$ -	\$ 158,559	\$ 99,184	\$ 284,493	\$ 908,887	\$ 1,193,380	\$ 1,092,764	

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation Basic field grant	*	\$ 767 786
U.S. Department of Health and Human Pass-through from Department on Aging Title III	93.282	30 311
U.S. Department of Justice Pass-through from Department of Criminal Justice Services V-Stop	16.588	16 629
U.S. Department of Justice Pass-through from Department of Criminal Justice Services Violence Against Women Stimulus	16.556	<u>47 500</u>
 Total Expenditures of Federal Awards		 \$ <u>862 226</u>

* Sponsoring agency was not able to provide federal catalog number

The accompanying notes are an integral part of this schedule

**Notes to the Schedule of Expenditures of Federal Awards
December 31, 2009**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Blue Ridge Legal Services, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"* and Legal Services Corporation Audit Guide and Compliance Supplements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Report of Independent Certified Public Accountants on
Compliance and on the Internal Control Over the Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Directors
Blue Ridge Legal Services, Inc.
Harrisonburg, Virginia

We have audited the financial statements of Blue Ridge Legal Services, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Blue Ridge Legal Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blue Ridge Legal Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, others within the organization and Legal Services Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Barcalow & Hart, P.L.L.C.

Barcalow & Hart, P.L.L.C.
Richmond, Virginia
March 26, 2010

**Report of Independent Certified Public Accountants on
Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Board of Directors
Blue Ridge Legal Services, Inc.
Harrisonburg, Virginia

Compliance

We have audited the compliance of Blue Ridge Legal Services, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Legal Services Corporation Audit Guide and Compliance Supplements* that are applicable to each of its major federal programs for the year ended December 31, 2009. Blue Ridge Legal Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Blue Ridge Legal Services, Inc.'s management. Our responsibility is to express an opinion on Blue Ridge Legal Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; 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 and the Legal Services Corporation Audit Guide and Compliance Supplements*. Those standards, OMB Circular A-133 and Legal Services Corporation 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 Blue Ridge Legal Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Blue Ridge Legal Services, Inc.'s compliance with those requirements.

In our opinion, Blue Ridge Legal Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Blue Ridge Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Blue Ridge Legal Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion over the effectiveness of the Organization'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.

Our consideration of internal control over compliance was for 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, others within the organization and Legal Services Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Barcalow & Hart, P.L.L.C.

Barcalow & Hart, P.L.L.C.
Richmond, Virginia
March 26, 2010

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2009

A. Summary of audit results

1. The auditor's report expresses an unqualified opinion on the financial statements of Blue Ridge Legal Services, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Blue Ridge Legal Services, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and Legal Services Corporation Audit Guide and Compliance Supplements.
5. The auditor's report on compliance for the major federal award programs for the Blue Ridge Legal Services, Inc. expresses an unqualified opinion.
6. No audit findings reported that were required to be disclosed in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA#</u>
Legal Services Corporation Basic Field Grant recipient # 447081	N/A

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Blue Ridge Legal Services, Inc. was not determined to be a low risk auditee.

B. Findings - financial statement audit

None

C. Findings and questioned costs - major federal awards programs audit

None