

**Audited Financial Statements,  
Supplementary Information,  
and Compliance Reports**

**Legal Aid of North Carolina, Inc.**

**Years Ended  
December 31, 2025 and 2024**

Audited Financial Statements, Supplementary Information, and Compliance Reports

**LEGAL AID OF NORTH CAROLINA, INC.**

Years Ended December 31, 2025 and 2024

**Audited Financial Statements**

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*Independent Auditor's Report*

Board of Directors  
Legal Aid of North Carolina, Inc.  
Raleigh, North Carolina

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Legal Aid of North Carolina, Inc. (LANC-a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid of North Carolina, Inc. as of December 31, 2025 and 2024, 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid of North Carolina, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid of North Carolina, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Independent Auditor's Report--Continued***

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Legal Aid of North Carolina, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid of North Carolina, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and other awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying statement of activities for LSC grants and statement of private attorney involvement expenses as of or for the year ended December 31, 2025, are also presented for purposes of additional analysis and are 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 schedule of expenditures of federal, state, and other awards 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 April 20, 2026 on our consideration of LANC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of LANC's 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 LANC's internal control over financial reporting and compliance.

*Romo, Wiggins + Company, L.L.P.*

Raleigh, North Carolina  
April 20, 2026

Statements of Financial Position

**LEGAL AID OF NORTH CAROLINA, INC.**

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Board-designated	\$ 385,868	\$ 426,758
Other	7,385,809	7,934,274
Investments:		
Board-designated	1,803,780	1,703,429
Other	2,031,374	0
Client escrow funds	13,253	70,646
Receivables:		
Grants and contracts	5,430,032	6,694,993
Sales tax	73,770	47,754
Other	317,782	0
Prepaid expenses	66,272	85,922
Deposits	131,234	129,668
Investment in joint venture	<u>2,110,047</u>	<u>2,114,825</u>
<b>TOTAL CURRENT ASSETS</b>	<b>19,749,221</b>	<b>19,208,269</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land and buildings	3,397,193	3,397,193
Building improvements	673,531	647,991
Leasehold improvements	1,472,660	772,785
Equipment and furniture	660,100	774,243
Vehicles	435,462	430,462
Website	195,405	195,405
Software	603,660	453,900
Construction in progress	<u>0</u>	<u>419,568</u>
	7,438,011	7,091,547
Accumulated depreciation	<u>(3,671,073)</u>	<u>(3,429,583)</u>
	3,766,938	3,661,964
Operating lease right-of-use assets	<u>8,642,227</u>	<u>5,850,022</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>32,158,386</u></b>	<b>\$ <u>28,720,255</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 594,277	\$ 1,577,965
Client deposits	13,253	70,646
Accrued vacation	1,135,165	1,398,524
Other accrued liabilities	805,490	1,831,493
Subcontracts/subgrants payable	252,387	14,100
Refundable advances	9,089,492	5,316,912
Note payable, current portion	113,360	99,213
Operating lease liabilities, current portion	<u>1,352,249</u>	<u>1,175,973</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>13,355,673</b>	<b>11,484,826</b>
Note payable, less current portion	2,941,964	3,060,809
Operating lease liabilities, less current portion	<u>7,851,881</u>	<u>4,974,409</u>
<b>TOTAL LIABILITIES</b>	<b>24,149,518</b>	<b>19,520,044</b>
<b>NET ASSETS</b>		
Without donor restrictions:		
Property and equipment	2,683,268	2,440,843
Board designated reserve	2,189,648	2,130,187
Other net assets - without donor restrictions	<u>2,052,282</u>	<u>3,408,060</u>
	6,925,198	7,979,090
With donor restrictions:		
Property and equipment	<u>1,083,670</u>	<u>1,221,121</u>
	1,083,670	1,221,121
<b>TOTAL NET ASSETS</b>	<b>8,008,868</b>	<b>9,200,211</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>32,158,386</u></b>	<b>\$ <u>28,720,255</u></b>

See independent auditor's report and notes to financial statements.

Statement of Activities

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
LSC grants	\$	\$ 17,528,532	\$ 17,528,532
Non-LSC grants and contracts	805,085	26,932,405	27,737,490
Matching assistance		174,008	174,008
Donations and contributions:			
Other	1,936,731		1,936,731
Donated services	1,615,991		1,615,991
Attorney fees / damages		88,026	88,026
Interest income		293,302	293,302
Investment income:			
Interest		125,710	125,710
Net change in fair value		(1,632)	(1,632)
Rental income		124,830	124,830
Loss on investment in joint venture	(4,778)		(4,778)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	45,402,632	(45,402,632)	0
TOTAL REVENUES AND OTHER SUPPORT	<u>49,755,661</u>	<u>(137,451)</u>	<u>49,618,210</u>
<b>EXPENSES</b>			
Program services	44,334,679		44,334,679
Support services:			
Management and general	6,117,595		6,117,595
Fundraising	357,279		357,279
	<u>6,474,874</u>	<u>0</u>	<u>6,474,874</u>
TOTAL EXPENSES	<u>50,809,553</u>	<u>0</u>	<u>50,809,553</u>
CHANGE IN NET ASSETS	(1,053,892)	(137,451)	(1,191,343)
Net assets, beginning of year	<u>7,979,090</u>	<u>1,221,121</u>	<u>9,200,211</u>
NET ASSETS, END OF YEAR	<u>\$ 6,925,198</u>	<u>\$ 1,083,670</u>	<u>\$ 8,008,868</u>

See independent auditor's report and notes to financial statements.

Statement of Activities

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
LSC grants	\$	\$ 18,596,632	\$ 18,596,632
Non-LSC grants and contracts	548,197	26,716,754	27,264,951
Matching assistance		53,002	53,002
Donations and contributions:			
Other	2,243,192		2,243,192
Donated services	1,768,389		1,768,389
Attorney fees / damages		52,951	52,951
Interest income		448,485	448,485
Investment income:			
Interest		65,314	65,314
Net change in fair value		3,429	3,429
Rental income		226,387	226,387
Loss on investment in joint venture	(58,739)		(58,739)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	45,768,478	(45,768,478)	0
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>50,269,517</u>	<u>394,476</u>	<u>50,663,993</u>
<b>EXPENSES</b>			
Program services	45,558,892		45,558,892
Support services:			
Management and general	5,855,552		5,855,552
Fundraising	277,827		277,827
	<u>6,133,379</u>	<u>0</u>	<u>6,133,379</u>
<b>TOTAL EXPENSES</b>	<u>51,692,271</u>	<u>0</u>	<u>51,692,271</u>
<b>CHANGE IN NET ASSETS</b>	(1,422,754)	394,476	(1,028,278)
Net assets, beginning of year	<u>9,401,844</u>	<u>826,645</u>	<u>10,228,489</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 7,979,090</u>	<u>\$ 1,221,121</u>	<u>\$ 9,200,211</u>

See independent auditor's report and notes to financial statements.

Statement of Functional Expenses

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

	Program Services	Support Services	Total
<b>PERSONNEL:</b>			
Salaries			
Attorneys	\$ 14,816,970	\$	\$ 14,816,970
Paralegals	3,436,042	33,425	3,469,467
Management	34,553	1,591,737	1,626,290
Support	1,014,654	129,889	1,144,543
Other	3,357,495	2,159,134	5,516,629
Accrued leave	(288,877)	25,518	(263,359)
Fringe benefits	7,244,943	1,035,646	8,280,589
Total personnel	<u>29,615,780</u>	<u>4,975,349</u>	<u>34,591,129</u>
<b>OTHER EXPENSES:</b>			
Space	2,651,281	241,290	2,892,571
Software and IT Equipment	696,218	180,087	876,305
Office supplies, equipment, printing and postage	927,004	47,099	974,103
Telephone and internet costs	672,932	31,568	704,500
Travel	363,021	80,122	443,143
Training	160,321	12,280	172,601
Library and Legal Support	475,033	56,269	531,302
General insurance	158,463	52,400	210,863
Audit		67,535	67,535
Advertising	13,860	2,200	16,060
Contract services, clients:			
Paid to private attorneys	281,471		281,471
Pro bono	1,615,991		1,615,991
Contract services, program	271,941	462,334	734,275
Subgrants/subcontracts awarded	5,608,581		5,608,581
Other	381,227	121,635	502,862
Interest expense	217,741		217,741
Depreciation	223,814	144,706	368,520
Total other expenses	<u>14,718,899</u>	<u>1,499,525</u>	<u>16,218,424</u>
<b>TOTAL EXPENSES</b>	<u>\$ 44,334,679</u>	<u>\$ 6,474,874</u>	<u>\$ 50,809,553</u>

See independent auditor's report and notes to financial statements.

Statement of Functional Expenses

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2024

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
<b>PERSONNEL:</b>			
Salaries			
Attorneys	\$ 14,669,980	\$	\$ 14,669,980
Paralegals	3,290,773		3,290,773
Management		1,448,656	1,448,656
Support	1,182,618	144,173	1,326,791
Other	3,376,068	1,794,387	5,170,455
Accrued leave	81,889	22,535	104,424
Fringe benefits	<u>7,656,773</u>	<u>1,154,314</u>	<u>8,811,087</u>
Total personnel	30,258,101	4,564,065	34,822,166
<b>OTHER EXPENSES:</b>			
Space	2,364,706	280,927	2,645,633
Software and IT Equipment	654,919	85,700	740,619
Office supplies, equipment, printing and postage	682,040	42,628	724,668
Telephone and internet costs	610,581	39,041	649,622
Travel	457,060	100,489	557,549
Training	171,330	32,648	203,978
Library and Legal Support	540,063	93,581	633,644
General insurance	172,020	39,374	211,394
Audit		62,739	62,739
Advertising	721,908		721,908
Contract services, clients:			
Paid to private attorneys	251,847		251,847
Pro bono	1,378,090		1,378,090
Contract services, program	227,619	556,560	784,179
Subgrants/subcontracts awarded	6,264,168		6,264,168
Other	397,332	140,798	538,130
Interest expense	255,552		255,552
Depreciation	<u>151,556</u>	<u>94,829</u>	<u>246,385</u>
Total other expenses	<u>15,300,791</u>	<u>1,569,314</u>	<u>16,870,105</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 45,558,892</u></b>	<b><u>\$ 6,133,379</u></b>	<b><u>\$ 51,692,271</u></b>

See independent auditor's report and notes to financial statements.

Statements of Cash Flows

**LEGAL AID OF NORTH CAROLINA, INC.**

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,191,343)	\$ (1,028,278)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	368,520	246,385
Realized and unrealized investment security gains	1,632	(3,429)
Undistributed dividends and interest from investments	(105,710)	(65,314)
Investment administrative fees	13,243	6,525
Amortization of right-of-use assets, net	261,543	64,983
Noncash change in joint venture	4,778	58,738
Decrease (increase) in operating assets:		
Receivables	921,163	1,347,548
Prepaid expenses	19,650	136,667
Deposits	(1,566)	151,717
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(2,273,050)	1,495,359
Subcontracts/subgrants payable	238,287	(418,392)
Refundable advances	3,772,580	(1,267,369)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,029,727</u>	<u>725,140</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(473,494)	(1,533,194)
Purchases of investments	(2,040,890)	(1,641,211)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(2,514,384)</u>	<u>(3,174,405)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of long-term debt	(104,698)	(87,385)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(104,698)</u>	<u>(87,385)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(589,355)	(2,536,650)
Cash and cash equivalents, beginning of year	<u>8,361,032</u>	<u>10,897,682</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 7,771,677</u>	<u>\$ 8,361,032</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 217,741	\$ 255,553
Noncash investing and financing transactions:		
Operating lease right-of-use assets	4,235,755	1,208,531
Operating lease obligations	(4,235,755)	(1,208,531)

See independent auditor's report and notes to financial statements.

Notes to Financial Statements

**LEGAL AID OF NORTH CAROLINA, INC.**

Years Ended December 31, 2025 and 2024

**NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Organization: Legal Aid of North Carolina, Inc. (LANC/the Organization) is a nonprofit corporation that provides statewide free legal services in civil matters to low-income people in order to ensure access to justice and to remove legal barriers to economic opportunity. LANC receives significant funding from Legal Services Corporation (LSC). LSC is a nonprofit corporation established by the United States Congress to administer the federal government's legal assistance program.

Basis of Accounting: The accompanying financial statements are prepared on an accrual basis of accounting, whereby income is recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to US generally accepted accounting principles.

Net Assets: The Organization's net assets have been grouped into the following classes:

Net Assets Without Donor Restrictions: These net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's net assets without donor restrictions also include Board-designated net assets as shown on the statements of financial position. Board-designated net assets are not available to cover operating expenses, including budget shortfalls, unless specifically approved by the Board.

Net Assets With Donor Restrictions: These net assets are subject to restrictions imposed by donors. Certain restrictions are temporary in nature, such as those that are restricted for a particular purpose or for use in a particular period. Other restrictions may be perpetual in nature, such as those that require resources to be maintained in perpetuity. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2025 and 2024, the Organization has no net assets with donor restrictions that require resources to be maintained in perpetuity.

Recognition of Support (Nonreciprocal Transactions): LANC evaluates contracts, grants, and contributions to determine whether the transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred, or (2) a contribution. If determined to be an exchange transaction, revenue is recognized in accordance with ASC Topic 606. In accordance with ASC 605, *Not-for-Profit Entities, Revenue Recognition*, promises to give, including grants and contributions to LANC, are generally considered nonreciprocal transactions, and are recognized as support when conditions, if any, have been met. A condition exists if the agreement includes both (1) one or more barriers that must be overcome and (2) either a right of return of assets transferred or a right of release from the donor's obligation to transfer assets. Cost-reimbursement grants are considered conditional until qualifying expenditures are incurred. Amounts received against conditional promises to give are held as refundable advances until conditions for recognition are met. Upon expiration of the grant term, any amounts received for which conditions were not met are recognized as refundable advances.

Support from unconditional grants and contributions is recognized as an increase in either net assets without donor restrictions or net assets with donor restrictions, based on the absence or presence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services: Donated services are recorded as both a revenue and an expense (or a fixed asset) if the services either enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not provided by donation. Donated services are valued at the fair value of such services or what LANC would have had to pay for the donated services if such services had been purchased. Donated services of LANC consist primarily of pro bono services provided by attorneys.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

Recognition of Revenues (Exchange Transactions): Revenues are recognized when performance obligations in an exchange transaction are satisfied and are derived primarily from government service contracts. Revenues from service contracts are recognized as services are provided in an amount that reflects the consideration LANC expects to be entitled to receive in exchange for those services. Amounts collected in advance, if any, are included in refundable advances in the statements of financial position.

Donated Property and Equipment: Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, LANC reports expirations of donor restrictions when the donated or acquired assets are placed in service. LANC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Cash Equivalents: For purposes of reporting cash flows, LANC considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2025 and 2024, cash equivalents include \$6,326,688 and \$7,019,584, respectively, held in a Short-Term Investment Fund ("STIF Account") with the State Treasurer. Depositories used by the State Treasurer for the investment of these funds must meet certain collateralization requirements. While the potential exists for under collateralization, the State Treasurer of North Carolina enforces strict standards of financial stability for each of its depositories.

Grants and Contracts Receivable: Grants and contracts receivable consist primarily of amounts due from governmental agencies. LANC uses the Current Expected Credit Loss (CECL) model for measuring credit losses on grants and contracts receivable, since adopting FASB ASC 326 on its effective date of January 1, 2023. Given LANC's past history with these federal and state agencies, the collaborative nature of the relationships, and current economic conditions, management has provided no allowance for credit losses since management believes all amounts are collectible at December 31, 2025 and 2024. Grants and contracts receivable are scheduled for funding within a year and are primarily unsecured.

Investments: LANC has adopted an investment policy requiring prudent investing of operating and board-designated funds so as to achieve some growth, while assuring preservation of the operating funds, and seeking more potential growth in board-designated funds due to the longer time-line of those investments. LANC's investments consist of bank certificates of deposit, government money market fund, U.S. Treasury notes and U.S. Treasury bills.

Certificates of deposit are carried at face value plus accrued interest which approximates the fair value of such based on current market rates for instruments with similar terms and remaining maturities.

Investments brokered by Truist Investment Services, Inc. (Truist) and Towne Wealth Management (Towne Wealth) are carried at fair value based on quoted market prices. Net investment income includes interest and dividends, net of fees, and net change in fair value (realized and unrealized gains and losses, including capital gains distributions, if any). Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Refer also to *Note G--Investments and Note P--Fair Value Measurements.*

Fixed Assets: Fixed assets, if purchased, are valued at cost. Contributed fixed assets are recorded at fair value at the date of donation. LSC retains an interest in assets acquired through the expenditure of its grants. Fixed asset purchases of less than \$10,000 are expensed when incurred. Depreciation is computed using the straight-line method over the useful lives of the assets which range from five to forty years.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

Refundable Advances: LANC is the recipient of grants that require expenditure for specified activities before LANC is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as a refundable advance. Refundable advances are expected to be recognized within one year.

Impairment of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Fixed assets having an aggregate cost of \$127,030 and a net book value of zero were written-off in 2025 based on management's identification of assets no longer used by LANC. No impairment of long-lived assets were identified for the year ended December 31, 2024.

Investment in Joint Venture: LANC accounts for its interests in joint venture companies using the equity method. The carrying value of the investments approximate LANC's contributed capital, plus their pro rata share of net operating results, less dividends.

Right-of-Use Lease Assets/Lease Liabilities: LANC determines if an arrangement contains a lease at inception based on whether LANC (as lessee) has the right to control the asset during the contract period and other facts and circumstances (FASB ASC 842). Right-of-use (ROU) assets represent LANC's right to use an underlying asset for the lease term and lease liabilities represent LANC's obligation to make lease payments arising from the lease. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

LANC also elected to not separate lease components from non-lease components for all leases and to use a risk-free discount rate for a comparable lease term, if the rate implicit in the lease is not readily determinable.

Refer also to *Note O--Operating Leases*.

Accrued Leave: Accrued leave is based on unused leave (subject to certain limitations) at the end of the year.

Functional Expenses: LANC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Certain indirect expenses are allocated to program and support services based on estimated usage and/or estimated benefit.

Fair Value of Financial Instruments: The carrying values of cash equivalents, receivables, accounts payable, and other accrued liabilities approximate fair value at December 31, 2025 and 2024, due to the short-term maturity of these financial instruments. Refer also to *Note P--Fair Value Measurements*.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications: Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE B -- FUNDING

Funds received from Legal Services Corporation are restricted by provisions contained within the Legal Services Corporation Act and related regulations. Reimbursement or refund of unspent funds could be required as the result of noncompliance with restrictions related thereto. However, significant discretionary authority exists with respect to the expenditure of funds. Unspent funds, subject to certain limitations, may be carried over to future periods.

<u>Grant Awards</u>	Years Ended December 31,	
	<u>2025</u>	<u>2024</u>
Basic Grant	\$ 15,181,463	\$ 16,042,018
Migrant Workers	782,341	700,228
Native Americans	333,524	325,702
Disaster	657,100	1,477,369
Disaster Relief Emergency Grant	280,176	0
Technology Innovation Grant	27,667	7,333
Technology Innovation Grant	217,597	0
Pro Bono Innovation	5,329	0
Pro Bono Innovation	<u>43,335</u>	<u>43,982</u>
	<u>\$ 17,528,532</u>	<u>\$ 18,596,632</u>

Funds received from the North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts ("IOLTA") are restricted by provisions contained within the grant agreement. Reimbursements or refund of unspent funds could be required as the result of noncompliance with the grant agreement. Funding is subject to renewal at the expiration date of the grant period; however, IOLTA is not subject to any obligations to continue the funding of any project previously granted. In June 2025, the North Carolina General Assembly passed Senate Bill 429, the 2025 Public Safety Act, halting IOLTA grants from funding LANC beginning January 1, 2026.

The North Carolina General Assembly ("NCGA") provides dedicated funding from court fees to LANC pursuant to the Domestic Violence Victim Assistance Act (NCGS § 7A-474.16 et seq.). These funds are delivered to the North Carolina State Bar for allocation to LANC and can only be used for eligible clients and activities as specified in the Act. In 2025 and 2024, LANC also received state contracts (or awards) to participate in the North Carolina State Home Foreclosure Prevention Project.

LANC receives funding to support both emergency and comprehensive civil legal aid for victims of domestic violence. Through the Governor's Crime Commission VOCA Grant, LANC provides critical emergency protective services across the state. These services have helped thousands of victims across North Carolina to reduce abuse in their lives.

In 2025 and 2024, LANC received support for Navigators in Federally-facilitated and State Partnership Exchanges. Navigators provide information to consumers about available healthcare options and assist in finding the most affordable coverage that meets their needs.

The Access to Justice Campaign solicits attorneys and other donors to financially support LANC. Each field program runs their own campaign, with support and technical assistance from the Administrative Office. Approximately \$1,552,812 and \$1,631,389 was recognized as support for the years ended December 31, 2025 and 2024, respectively, as a result of these efforts.

In 2025 and 2024, LANC received additional unrestricted funds from Cy Pres awards of \$256,747 and \$567,969, respectively. These funds were from residuals of various class action cases.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE C -- TAX STATUS

Legal Aid of North Carolina, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state tax law, except on net income, if any, derived from unrelated business activities. LANC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. In addition, LANC qualifies for the charitable contributions deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2).

NOTE D -- EMPLOYEE BENEFITS

**Defined Contribution Plan:** LANC maintains a 401(k) retirement plan on behalf of its employees. Non-excluded employees may make elective deferrals to the plan beginning on the first day of the payroll period coincident with or following their date of hire. Non-excluded employees are eligible for employer discretionary contributions after completing one Year of Service as defined by the plan. Participating employees must complete 1,000 hours of service during plan year and be employed on the last day of the plan year to be eligible to share in the employer’s discretionary, nonelective contributions (if any) for that plan year. No discretionary, nonelective contributions were approved for 2025. The LANC Board of Directors approved discretionary, nonelective contributions of \$991,825 for 2024. No matching contributions were approved for 2025 and 2024.

**Partially Self-insured Medical Plan:** LANC maintains a partially self-insured medical plan. The plan is being administered by an outside agency and contains a “stop-loss” clause on claims paid by LANC on behalf of a participant and on behalf of participants in the aggregate. For the policy years ended December 31, 2025 and 2024, LANC was generally self-insured on claims up to \$200,000 on behalf of a participant and up to \$5,343,351 and \$6,513,457, respectively, on behalf of participants in the aggregate. LANC recognized the following expenses in connection with its partially self-insured medical plan:

	<u>2025</u>	<u>2024</u>
Claims paid, net beginning of year IBNR accrual	\$ 5,745,436	\$ 4,772,300
Less: Reimbursements over stop-loss	(898,089)	(253,713)
Employee withholdings for premiums	(458,458)	(456,163)
Stop-loss premiums, network and administrative fees	767,161	584,983
IBNR accrual, December 31	<u>718,566</u>	<u>718,566</u>
	<u>\$ 5,874,616</u>	<u>\$ 5,365,973</u>

NOTE E -- LSC FUND BALANCE AND PAI RECAPTURE

LSC policy specifies that LANC may not carry forward a combined LSC fund balance at year-end in excess of 10% of total LSC annual funding, plus interest earned thereon, plus rent and reimbursement of attorney fees, without obtaining a waiver from LSC. LANC did not exceed LSC’s 10% limitation at December 31, 2025 or December 31, 2024.

LSC policy requires that LANC spend an amount equal to 12.5% of their LSC Basic Field Grant on Private Attorney Involvement (“PAI”) activities. PAI expenses incurred by LANC exceeded the 12.5% minimum, including the \$100,118 deficit from 2024, required by the LSC grant for the year ended December 31, 2025. LANC reported a \$100,118 deficit of PAI expenses as of December 31, 2024. LANC requested and was granted from LSC a waiver to add this shortfall to LANC’s 2025 PAI requirement.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE F -- CONCENTRATIONS OF SUPPORT

LANC received approximately 35% and 37% of its revenues and other support from Legal Services Corporation for the years ended December 31, 2025 and 2024, respectively. Refer also to *Note M--Conditional Promises to Give* herein.

NOTE G -- INVESTMENTS (including subsequent events)

LANC's investments consist primarily of certificates of deposit (CDs), government money market fund, U.S. Treasury bills and U.S. Treasury notes held in two brokerage accounts. At December 31, 2025, investments include the following:

<u>Issuing Bank</u>	<u>Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
Board-designated (held by Truist):			
Certificates of deposit:			
United Bankers Bank (*)	5.04%	01/30/2026	\$ 225,203
Safra National Bank (**)	4.20%	02/06/2026	225,058
Bank New York Mellon (***)	4.25%	03/06/2026	225,128
Hometrust Bank	4.00%	04/10/2026	225,106
Everbank NA	3.80%	06/15/2026	225,139
U.S. Treasury note	4.875%	04/30/2026	225,914
U.S. Treasury note	4.875%	05/31/2026	226,168
U.S. Treasury note	4.375%	08/15/2026	226,064
			<u>\$ 1,803,780</u>
Other (held by Towne Wealth):			
Government money market fund	3.83%		\$ 1,526,667
U.S. Treasury bill	2.00%	01/08/2026	504,707
			<u>\$ 2,031,374</u>

(\*) Renewed subsequently for eight months with U.S. Treasury bonds at 3.5%

(\*\*) Renewed subsequently for eight months with U.S. Treasury bonds at 4.12%

(\*\*\*) Renewed subsequently for eight months at 3.75%.

At December 31, 2024, investments include the following:

<u>Issuing Bank</u>	<u>Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
Board-designated (held by Truist):			
Certificates of deposit:			
United Bankers Bank	4.50%	02/20/2025	\$ 125,023
Safra National Bank	5.10%	08/25/2025	226,382
Bank New York Mellon	4.20%	08/27/2025	224,993
Hometrust Bank	4.05%	11/26/2025	224,829
Everbank NA	5.25%	11/28/2025	225,135
Simmons Bank	4.10%	12/23/2025	199,960
Goldman Sachs Bank	4.10%	12/24/2025	149,968
Zions Bancorporation	4.05%	12/26/2025	99,932
United Bankers Bank	5.05%	01/30/2026	227,207
			<u>\$ 1,703,429</u>

Interest income from investments approximated \$126,000 and \$65,000 in 2025 and 2024, respectively. Related fees approximated \$13,000 and \$7,000 in 2025 and 2024, respectively.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE H -- NET ASSETS RELATED TO PROPERTY AND EQUIPMENT

Net assets related to property and equipment consisted of the following at December 31:

LSC Property

	2025			2024		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and buildings	\$ 1,585,012	\$ 981,021	\$ 603,991	\$ 1,585,012	\$ 950,366	\$ 634,646
Building improvements	418,657	348,495	70,162	418,657	329,539	89,118
Leasehold improvements	367,633	111,924	255,709	367,633	77,092	290,541
Equipment and furniture	273,832	266,904	6,928	323,388	312,508	10,880
Vehicles	245,433	98,553	146,880	240,433	48,804	191,629
Website	0	0	0	0	0	0
Software	85,991	85,991	0	85,991	81,684	4,307
Construction in progress	0	0	0	0	0	0
	<u>\$ 2,976,558</u>	<u>\$ 1,892,888</u>	<u>\$ 1,083,670</u>	<u>\$ 3,021,114</u>	<u>\$ 1,799,993</u>	<u>\$ 1,221,121</u>

Non-LSC Property

	2025			2024		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and buildings	\$ 1,812,181	\$ 242,284	\$ 1,569,897	\$ 1,812,181	\$ 207,361	\$ 1,604,820
Building improvements	254,874	173,734	81,140	229,334	160,133	69,201
Leasehold improvements	1,105,027	255,595	849,432	405,152	158,087	247,065
Equipment and furniture	386,268	312,809	73,459	450,855	375,146	75,709
Vehicles	190,029	190,029	0	190,029	184,842	5,187
Website	195,405	195,405	0	195,405	195,405	0
Software	517,669	408,329	109,340	367,909	348,616	19,293
Construction in progress	0	0	0	419,568	0	419,568
	<u>\$ 4,461,453</u>	<u>\$ 1,778,185</u>	<u>\$ 2,683,268</u>	<u>\$ 4,070,433</u>	<u>\$ 1,629,590</u>	<u>\$ 2,440,843</u>
<u>Total Property</u>	<u>\$ 7,438,011</u>	<u>\$ 3,671,073</u>	<u>\$ 3,766,938</u>	<u>\$ 7,091,547</u>	<u>\$ 3,429,583</u>	<u>\$ 3,661,964</u>

Net assets related to property and equipment consisted of the following:

	December 31,	
	<u>2025</u>	<u>2024</u>
Property and equipment, net of accumulated depreciation	<u>\$ 3,766,938</u>	<u>\$ 3,661,964</u>
	<u>\$ 3,766,938</u>	<u>\$ 3,661,964</u>
Without donor restrictions	\$ 2,683,268	\$ 1,221,121
With donor restrictions	<u>1,083,670</u>	<u>2,440,843</u>
	<u>\$ 3,766,938</u>	<u>\$ 3,661,964</u>

Depreciation and amortization expense totaled \$368,520 and \$246,385 for the years ended December 31, 2025 and 2024, respectively.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE I -- INVESTMENT IN JOINT VENTURE

During December 2020, LANC became a party to a joint venture agreement with a North Carolina investment group, whereby LANC is a 50% member in LANC 5525 Albemarle, LLC ("Investee" and "joint venture") at December 31, 2020. The joint venture was formed to construct an office building in Charlotte, North Carolina. The building has been completed and LANC started occupying the space in mid-January 2022 as a tenant. Refer also to *Note O--Operating Leases*.

Investee results: The Investee reported the following financial results as of December 31:

	<u>2025</u>	<u>2024</u>
<u>Financial Position:</u>		
Total assets	\$ 4,220,939	\$ 4,232,768
Total liabilities	846	3,119
Members' equity	4,220,093	4,229,649
<u>Operating Results:</u>		
Net loss	\$ (9,556)	\$ (117,478)

LANC's investment in the joint venture includes the following:

Capital contribution	\$ 2,242,500	\$ 2,250,000
Distribution – return of capital	0	(7,500)
Pro rata share of joint venture's net loss	<u>(132,453)</u>	<u>(127,675)</u>
	<u>\$ 2,110,047</u>	<u>\$ 2,114,825</u>

NOTE J -- NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events as specified by the donors as follows:

	Years Ended December 31,	
	<u>2025</u>	<u>2024</u>
LSC (including interest in fixed assets)	\$ 18,212,911	\$ 19,291,823
IOLTA	6,384,901	4,752,098
State	4,227,993	3,001,481
Title III	421,485	675,014
Family Violence	2,473,649	3,432,578
United Way	226,483	142,847
Navigator	4,928,691	6,935,009
Other	8,389,068	7,932,104
Property:		
Depreciation – LSC property	142,451	143,125
LSC interest in fixed asset purchases	<u>(5,000)</u>	<u>(537,601)</u>
	<u>\$ 45,402,632</u>	<u>\$ 45,768,478</u>

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE K -- REFUNDABLE ADVANCES

LANC records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. Refundable advances consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
LSC – Basic General	\$ 0	\$ 0
LSC – Basic Migrant	880,457	843,498
LSC – Basic Native American	178,968	183,445
LSC – Disaster	149,523	306,623
LSC – Pro Bono Innovations Fund	402,957	0
LSC – Technology Innovation	301,390	0
LSC – Disaster Relief Emergency	229,824	0
NCDHHS – Ombudsman Services	0	452,579
County, City, Towns and Other:		
Navigator	2,402,095	187,025
Other	<u>4,544,278</u>	<u>3,343,742</u>
	<u>\$ 9,089,492</u>	<u>\$ 5,316,912</u>

NOTE L -- NET ASSETS WITH DONOR RESTRICTIONS

Grants and other contract support are reported as with donor restrictions support until the program services for which the restrictions were imposed have been satisfied. Once the restrictions have been satisfied, with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions are available from the following sources to provide legal assistance to economically disadvantaged persons:

	December 31,	
	<u>2025</u>	<u>2024</u>
Property	<u>\$ 1,083,670</u>	<u>\$ 1,221,121</u>

NOTE M -- CONDITIONAL PROMISES TO GIVE

Conditional promises to give consist of the following at December 31:

<u>Grant Awards</u>	<u>2025</u>	<u>2024</u>
LSC	\$ 15,703,321	\$ 16,329,810
NC IOLTA	0	6,085,000
Statewide Navigator	336,155	4,611,671
Family Violence Prevention (FVPSA) ARP	0	83,719
GCC VOCA (Statewide)	52,018	689,757
GCC VOCA Human Trafficking	0	75,809
VOCA UVVP	0	368,834
VAWA Right to Education	100,000	99,905
Human Trafficking Commission	23,733	25,000
City of Durham – Eviction Diversion	378,921	296,660
Mecklenburg County	715,680	1,975,743
DHHS Ombudsman Services	0	3,321,052
Center for Family Violence	<u>0</u>	<u>14,075</u>
	<u>\$ 17,309,828</u>	<u>\$ 33,977,035</u>

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE M -- CONDITIONAL PROMISES TO GIVE -- Continued

Neither support nor expense from these conditional promises to give has been recognized as of December 31, 2025 and 2024, respectively. Refer also to Note A for LANC's policy regarding the "Recognition of Support" and to Note B for a description of LANC's more significant funding sources.

Conditional promises to give (made by LANC) include the following subawards at December 31:

	<u>2025</u>	<u>2024</u>
Statewide Navigator	\$ 290,270	\$ 2,736,486
IOLTA	0	234,240
DHHS Ombudsman Services	0	1,485,337
	<u>\$ 290,270</u>	<u>\$ 4,456,063</u>

NOTE N -- LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2025</u>	<u>2024</u>
Note payable to a bank under a term loan agreement, effective December 8, 2020, twelve consecutive interest only payments beginning January 8, 2021, commencing January 8, 2022 monthly installments of \$25,463 including interest at the higher of the bank's SOFR rate plus 2.50% or 3.25% (6.4% at December 31, 2025), with a final balloon payment due December 8, 2030. The funding agreement allowed for maximum borrowings up to \$3,400,000. Collateralized by real property located at 224 S. Dawson St. Raleigh, NC.	\$ 3,055,324	\$ 3,160,022
Less: Current installments	<u>(113,360)</u>	<u>(99,213)</u>
	<u>\$ 2,941,964</u>	<u>\$ 3,060,809</u>

Principal maturities approximate the following at December 31, 2025:

<u>Year Ending December 31</u>	<u>Maturing Principal</u>
2026	\$ 113,360
2027	120,830
2028	128,792
2029	137,278
2030	2,555,064
Thereafter	0
	<u>\$ 3,055,324</u>

LANC recognized interest expense of \$217,741 and \$255,552 on borrowings for the years ended December 31, 2025 and 2024, respectively.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE O -- OPERATING LEASES

LANC has operating leases of buildings for offices and for certain equipment. The leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2025:

	<u>2025</u>	<u>2024</u>
Operating lease right-of-use assets	\$ <u>8,642,227</u>	\$ <u>5,850,022</u>
Operating lease liabilities, current portion	\$ 1,352,249	\$ 1,175,973
Operating lease liabilities, less current portion	<u>7,851,881</u>	<u>4,974,409</u>
Total operating lease liabilities	\$ <u>9,204,130</u>	\$ <u>6,150,382</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	9.25 years	7.5 years
Weighted average discount rate	6.91%	6.93%

The maturities of operating lease liabilities as of December 31, 2025 were as follows:

2026	\$ 1,948,058
2027	1,771,977
2028	1,301,824
2029	1,183,601
2030	966,093
Thereafter	<u>5,706,736</u>
Total lease payments	12,878,289
Less: Interest	<u>(3,674,159)</u>
Present value of lease liability	\$ <u>9,204,130</u>

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the year ended December 31:

	<u>2025</u>	<u>2024</u>
Space	\$ <u>2,892,571</u>	\$ <u>2,645,633</u>

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 261,543	\$ 64,983
Lease assets obtained in exchange for lease obligations:		
Operating leases	4,280,287	1,302,040

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE P -- FAIR VALUE MEASUREMENTS

LANC applies U.S. generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 (prior authoritative literature: SFAS No. 157, *Fair Value Measurements*) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority.

The following represents assets measured at fair value on a recurring basis by LANC at December 31, 2025 and 2024:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2025</u>				
Cash equivalents	\$ 6,744,673	\$ 0	\$ 6,744,673	\$ 0
Bank certificates of deposit	1,125,634	0	1,125,634	0
Government money market fund	1,526,667	1,526,667	0	0
Investment in debt securities -				
U.S. Treasury bills	504,707	0	504,707	0
U.S. Treasury notes	678,146	0	678,146	0
	<u>\$ 10,579,827</u>	<u>\$ 1,526,667</u>	<u>\$ 9,053,160</u>	<u>\$ 0</u>
<u>December 31, 2024</u>				
Cash equivalents	\$ 7,019,584	\$ 0	\$ 7,019,584	\$ 0
Bank certificates of deposit	1,703,429	0	1,703,429	0
	<u>\$ 8,723,013</u>	<u>\$ 0</u>	<u>\$ 8,723,013</u>	<u>\$ 0</u>

*Level 1:* Money market funds are held in an investment management account and are carried at fair value based on quoted market prices.

*Level 2:* The fair value of cash equivalents held in a Short-Term Investment Fund (STIF Account) with the State Treasurer is based on cost plus accrued earnings thereon. LANC believes this valuation technique is appropriate given that the State-managed portfolio is invested in highly liquid fixed income securities, consisting primarily of money market instruments and short to intermediate treasuries and agencies. Bank certificates of deposit are carried at face value plus accrued earnings thereon, which approximates the fair value of such given that the stated rates approximate market rates for financial instruments with similar terms and remaining maturities. Fair values for debt securities are determined by reference to quoted market prices for similar investments, yield curves, and other relevant information.

As of December 31, 2025, LANC has no assets or liabilities classified within Level 3 of the fair value hierarchy.

As of December 31, 2024, LANC has no assets or liabilities classified within Levels 1 or 3 of the fair value hierarchy.

LANC recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2025 and 2024.

Notes to Financial Statements--Continued

LEGAL AID OF NORTH CAROLINA, INC.

NOTE Q -- AVAILABILITY AND LIQUIDITY OF ASSETS

The following reflects LANC's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures within one year of that date:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end (cash and cash equivalents, receivables and investments)	\$ 17,441,668	\$ 16,877,854
Less those unavailable for general expenditures within one year, due to:		
Client escrow funds	(13,253)	(70,646)
Board designated reserve	(2,189,648)	(2,130,187)
Revisionary interest in property and equipment	<u>(1,083,670)</u>	<u>(1,221,121)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,155,097</u>	<u>\$ 13,455,900</u>

A significant portion of LANC's annual operating budget is spent on program grants. As part of LANC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, LANC invests cash in excess of daily requirements in the STIF Account.

NOTE R -- COMMITMENTS AND CONTINGENCIES

**Ongoing Operations:** Since LANC's formation, LANC has relied on a combination of federal, state, local, and private funding sources to support its operations. The nature of these funding sources, including changes in appropriations, grant cycles, and economic conditions, requires ongoing evaluation and careful management of financial resources. During 2025, LANC received notice that it would have significant reductions in funding, including the loss or suspension of certain federal, state and local grant funding streams. In particular, LANC received notice that it would not receive funding through the Interest on Lawyers' Trust Accounts (IOLTA) program for 2026 due to a statewide suspension of grantmaking. This suspension was put in place by the NC General Assembly and was unrelated to LANC's programmatic performance.

In response to these anticipated funding reductions, LANC implemented a series of cost containment and restructuring measures. These actions included reductions in staffing, consolidation and closure of certain office locations, and adjustments to operating expenses across programmatic and administrative functions. LANC also increased its focus on development and fundraising efforts to diversify revenue sources and expand unrestricted funding.

Management continues to actively monitor funding conditions and pursue additional funding opportunities through grants, partnerships, and philanthropic support. LANC maintains cash reserves and has aligned expenses with anticipated revenues for fiscal year 2026.

**Grantor Audits:** Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against LANC for disallowed costs or noncompliance with grantor restrictions. At the date on which the financial statements were available to be issued, management is aware of no disallowed costs or noncompliance with grantor restrictions that are required to be accrued or disclosed in the accompanying financial statements. Therefore, no provision has been made for liabilities that may arise from such audits.

NOTE S -- EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2026, the date on which financial statements were available for issue.

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal, State, and Other Awards

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Passed Through to Subrecipients	Total Expenditures
<b><u>FEDERAL AWARDS:</u></b>			
<b><u>Legal Services Corporation:</u></b>			
Legal Services Corporation Act			
LSC Basic	09.634032		\$ 15,181,463
LSC Migrant	09.634032		782,341
LSC Native American	09.634032		333,524
LSC Disaster Relief	09.634032		657,100
LSC Pro Bono Innovation	09.634032		43,335
LSC Pro Bono Innovation	09.634032		5,329
LSC Technology Innovation	09.634032		27,667
Technology Innovation - Intake and Innovation Lab	09.634032		217,597
Disaster Relief Emergency Grant	09.634032		280,176
Total Legal Services Corporation			<u>17,528,532</u>
<b><u>U.S. Department of Justice:</u></b>			
NC Department of Crime Control and Public Safety, Division of Governor's Crime Commission: Victims of Crime Act (VOCA) / Domestic Violence Prevention Initiative	16.575		695,589
Domestic Violence Advocacy Center (VOCA): Human Trafficking	16.575		79,276
Domestic Violence Advocacy Center (VOCA): Underserved IPV Project	16.575		322,982
Domestic Violence Advocacy Center (VOCA): Underserved Vulnerable Victims Project	16.575		371,468
Domestic Violence Advocacy Center (VAWA): Right to Education Project	16.540		99,911
Domestic Violence Advocacy Center (OVW): Center for Family Violence Prevention Legal Assistance for Victims	16.540		14,075
Total U.S. Department of Justice			<u>1,583,301</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
<b><u>Centers for Medicare and Medicaid Services:</u></b>			
Cooperative Agreement to Support Navigators in Federally- Facilitated Exchanges	93.332	\$ 2,265,108	4,623,180
<b><u>NC Department of Health and Human Services:</u></b>			
Division of Aging, passed through Area Agencies on Aging: Title III B Grants for Supportive Services and Senior Centers	93.044		382,111
Division of Social Services: Family Violence Prevention	93.671		346,291
Total U.S. Department of Health and Human Services			<u>5,351,582</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b> Fair Housing Organizations Initiative	14.416		160,949
<b><u>U.S. Department of Veterans Affairs:</u></b> Legal Services for Homeless and Veterans At-Risk for Homelessness	64.056		258,651
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 2,265,108	<u>\$ 24,883,015</u>

See independent auditor's report as pertains to supplementary information and notes to schedule of expenditures of federal, state, and other awards.

Schedule of Expenditures of Federal, State, and Other Awards--Continued

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Passed Through to Subrecipients	Total Expenditures
<b><u>STATE AWARDS:</u></b>			
<u>State of North Carolina:</u>			
North Carolina Department of Health and Human Services:			
Ombudsman services		\$ 1,440,778	\$ 3,773,630
North Carolina State Bar:			
Domestic Violence Victim Assistance Act			<u>845,652</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 1,440,778</u>	<u>\$ 4,619,282</u>
<b><u>OTHER AWARDS:</u></b>			
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts:</u>			
Legal Services for the Poor		\$	\$ 3,500,000
Volunteer Lawyer Program			500,000
Capacity Building			250,000
Capacity Building - 2024			42,933
Home Defense		234,240	600,000
Coordinated Referral System		81,750	229,217
Helene Recovery			160,000
Domestic Violence			900,000
Rural Services			<u>175,000</u>
TOTAL EXPENDITURES OF OTHER AWARDS		<u>\$ 315,990</u>	<u>\$ 6,357,150</u>

See independent auditor's report as pertains to supplementary information and notes to schedule of expenditures of federal, state, and other awards.

Notes to Schedule of Expenditures of Federal, State, and Other Awards

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal, state, and other awards (the Schedule) includes the federal, state, and certain other grant activity of Legal Aid of North Carolina, Inc. for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LANC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LANC.

NOTE B--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 Title *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C -- SUBGRANTS AWARDED

Of the expenditures/disbursements presented in the schedule of expenditures of federal, state, and other awards, LANC provided awards to subrecipients as follows:

<u>Federal Assistance Listing Number (if applicable)</u>	<u>Program Name</u>	<u>Passed Through to Subrecipients</u>
93.332	Statewide Navigator	\$ 2,265,108
NCDHHS	Ombudsman Services	1,440,778
IOLTA	Home Defense	234,240
IOLTA	Coordinated Referral System	81,750

NOTE D -- INDIRECT COST RATE

LANC has elected to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance. For all other funding sources that allow indirect costs, LANC charges indirect costs as a percentage of actual indirect costs to total costs; 15% or the maximum allowed by the funding source if less than 15% for the year ended December 31, 2025.

Statement of Activities for LSC Grants

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

	Basic Field	Migrant	Native American	Pro Bono Transformation	PBIIF Strength in Numbers	TIP Tech Assessment	Disaster	TIG Modernizing Intake	Disaster Relief Emergency	Total
<b>SUPPORT, REVENUES AND OTHER INCOME:</b>										
LSC grants	\$ 15,181,463	\$ 782,341	\$ 333,524	\$ 5,329	\$ 43,335	27,667	\$ 657,100	\$ 217,597	280,176	17,528,532
Matching Assistance					10,831	37,835		103,838		152,504
Donated services	1,615,991									1,615,991
Attorney fees / damages	72,408	15,619								88,027
Interest income	311,334									311,334
Rental income	124,830									124,830
Proceeds from disposal of property and equipment										0
Other revenue and support	7,685									7,685
<b>Total Support and Revenue</b>	<b>17,313,711</b>	<b>797,960</b>	<b>333,524</b>	<b>5,329</b>	<b>54,166</b>	<b>65,502</b>	<b>657,100</b>	<b>321,435</b>	<b>280,176</b>	<b>19,828,903</b>
<b>EXPENSES:</b>										
Personnel expenses:										
Salaries:										
Attorney	6,262,083	247,056	177,906	1,953	5,313		146,358	45,947	80,222	6,966,838
Paralegal	1,720,939	130,450	10,295				183,775		39,058	2,084,517
Management	49,451						38,083	24,699	12,386	148,040
Support	555,358	42,488	398				34,603		1,534	634,381
Other salaries	531,583	70	3,749	838	4,796		22,809	16,885	10,134	590,864
Accrued leave		(2,310)								(2,310)
Fringe benefits	2,681,920	135,902	62,599	893	7,530	4,119	127,495	30,266	45,868	3,096,592
<b>Total Personnel Expenses</b>	<b>11,801,334</b>	<b>553,656</b>	<b>254,947</b>	<b>3,684</b>	<b>28,947</b>	<b>16,232</b>	<b>553,123</b>	<b>117,797</b>	<b>189,202</b>	<b>13,518,922</b>
Nonpersonnel expenses:										
Space	900,789	45,531	13,770	251	584		33,134		14,804	1,008,863
Software and IT equipment	97,316	12,936	5,826	43	97	19,074	9,909	61,497	19,890	226,588
Office supplies and equipment, printing/ and postage	103,609	34,403	2,278	543	93		5,835		2,538	149,299
Telephone and internet costs	194,453	9,544	3,139	49	150		13,559	45,000	4,225	270,119
Travel	111,855	11,197	3,078		1,734		20,320	3,087	3,660	154,931
Training	18,549	1,424			795		527		2,688	23,983
Library & Legal Support	159,917	14,459	1,822	32	80		5,810	100	1,892	184,112
General insurance	55,672	3,286	1,063	19	46		6,725		1,110	67,921

See independent auditor's report as pertains to supplementary information.

Statement of Activities for LSC Grants--Continued

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

	Basic Field	Migrant	Native American	Pro Bono Transformation	PBIF Strength in Numbers	TIP Tech Assessment	Disaster	TIG Modernizing Intake	Disaster Relief Emergency	Total
Contract services, clients:										
Paid to private attorneys	82		890							972
Pro Bono	1,615,991				15,750	18,789		70,804		1,615,991
Contract services, programs	9,085		750		4,893					115,178
Indirect costs allocated	2,230,725	104,082	45,251	693					36,545	2,445,339
Other	14,334	7,442	710	15	997	11,407	3,158		3,622	41,685
Total Nonpersonnel Expenses	5,512,377	244,304	78,577	1,645	25,219	49,270	98,977	203,638	90,974	6,304,981
Total Expenses	17,313,711	797,960	333,524	5,329	54,166	65,502	652,100	321,435	280,176	19,823,903
Support and revenue over expenses	0	0	0	0	0	0	5,000	0	0	5,000
Leasehold Improvements										0
Vehicle Purchase							5,000			5,000
Change in net assets	0	0	0	0	0	0	0	0	0	0
Total net assets:										
Beginning of period	0	0	0	0	0	0	0	0	0	0
End of period	0	0	0	0	0	0	0	0	0	0

See independent auditor's report as pertains to supplementary information.

Statement of Private Attorney Involvement Expenses

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

SUPPORT

Basic Field grant = \$15,181,463 x 12.5%	\$ 1,897,683
2024 shortfall added to 2025 PAI requirement pursuant to 45 CFR 1614.10(b)	<u>100,118</u>
Total Support	<u><u>\$ 1,997,801</u></u>

EXPENSES

Personnel Expenses:

Salaries:

Attorneys	\$ 505,810
Paralegals	106,392
Management and support staff	<u>453,725</u>
	<u>1,065,927</u>

Fringe benefits	<u>341,097</u>
Total Personnel Expenses	<u>1,407,024</u>

Nonpersonnel Expenses:

Payments to private attorneys	281,471
Nonpersonnel expenses	<u>548,766</u>
Total Nonpersonnel Expenses	<u>830,237</u>

Total Expenses	<u><u>\$ 2,237,261</u></u>
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Net PAI expenses over the requirement threshold	<u><u>\$ (239,460)</u></u>
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Refer also to *Note E--LSC FUND BALANCE AND PAI RECAPTURE*

See independent auditor's report as pertains to supplementary information.

**COMPLIANCE REPORTS**



Independent Auditor's 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*

Board of Directors  
**Legal Aid of North Carolina, Inc.**  
Raleigh, North Carolina

We have audited, in accordance with the 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 Legal Aid of North Carolina, Inc. (LANC-a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, 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 April 20, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LANC's internal control over financial reporting (internal control) as a basis for designing 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 LANC's internal control. Accordingly, we do not express an opinion on the effectiveness of LANC'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 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LANC'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 financial statements. 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*.

Board of Directors  
Legal Aid of North Carolina, Inc.  
Page Two

**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.

Romo, Wiggins + Company, L.L.P.

Raleigh, North Carolina  
April 20, 2026



Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance

Board of Directors  
Legal Aid of North Carolina, Inc.  
Raleigh, North Carolina

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Legal Aid of North Carolina, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *LSC Compliance Supplement for Audits of LSC Recipients* that could have a direct and material effect on each of Legal Aid of North Carolina, Inc.'s major federal programs for the year ended December 31, 2025. Legal Aid of North Carolina Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid of North Carolina, 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, 2025.

***Basis for Opinion on Each Major Federal Program***

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), the *LSC Audit Guide for Recipients and Auditors* and the *LSC Compliance Supplement for Audits of LSC Recipients*. Our responsibilities under those standards, the Uniform Guidance and the LSC Audit Guide and Compliance Supplement are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid of North Carolina, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legal Aid of North Carolina, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid of North Carolina, Inc.'s federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid of North Carolina, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, the *LSC Audit Guide for Recipients and Auditors* and the *LSC Compliance Supplement for Audits of LSC Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid of North Carolina, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, the *LSC Audit Guide for Recipients and Auditors* and the *LSC Compliance Supplement for Audits of LSC Recipients*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Legal Aid of North Carolina, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid of North Carolina, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid of North Carolina, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Romo, Wiggins + Company, L.L.P.*

Schedule of Findings and Questioned Costs

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

**Section I - Summary of Auditor's Results**

Type of auditor's report issued on financial statements: *Unmodified*

Internal control over financial reporting:

- ◆ Material weakness(es) identified?                     yes      no
- ◆ Significant deficiency(ies) identified?             yes      none reported

Noncompliance material to financial statements noted?             yes      no

*Federal Awards*

Internal control over major federal award programs:

- ◆ Material weakness(es) identified?                     yes      no
- ◆ Significant deficiency(ies) identified?             yes      none reported

Noncompliance material to major federal award programs?             yes      no

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?             yes      no

Identification of major federal programs:

<u>Federal Assistance Listing Number(s)</u> 09.634032 16.575	<u>Name of Federal Program or Cluster</u> Legal Services Corporation Act Victims of Crime Act (VOCA)/Domestic Violence Prevention Initiative
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Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee?                     yes      no

Schedule of Findings and Questioned Costs--Continued

**LEGAL AID OF NORTH CAROLINA, INC.**

Year Ended December 31, 2025

**Section II - Financial Statement Findings**

No such findings to report.

**Section III - Federal Award Findings and Questioned Costs**

No such findings to report.

Summary Schedule of Prior Audit Findings

**Legal Aid of North Carolina, Inc.**

Year Ended December 31, 2024

There are no matters to report.