

**Connecticut Legal Services, Inc.**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2019 and 2018**

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## Connecticut Legal Services, Inc.

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## Independent Auditor's Report

To the Board of Directors  
Connecticut Legal Services, Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Connecticut Legal Services, Inc. ("CLS"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CLS as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed on the index, is presented for purposes of additional analysis of the 2019 financial statements and is not a required part of the 2019 financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed on the index, is fairly stated in all material respects in relation to the 2019 financial statements as a whole.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Connecticut State Single Audit Act 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 awards and the schedule of expenditures of state financial assistance are 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 December 11, 2019 on our consideration of CLS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 CLS' 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 CLS' internal control over financial reporting and compliance.



Hartford, Connecticut  
December 11, 2019

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2019 AND 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Current Assets:		
Cash and cash equivalents	\$ 1,579,508	\$ 2,400,044
Cash in escrow - client funds	2,368	19,479
Short-term investments	1,494,751	749,430
Grants and contracts receivable	997,345	416,002
Promises to give	1,778,491	1,588,908
Other receivables	25,971	114,157
Prepaid expenses	116,211	114,961
Total Current Assets	<u>5,994,645</u>	<u>5,402,981</u>
Property and Equipment:		
Software	13,200	13,200
Property and equipment	1,715,512	1,575,564
Leasehold improvements	311,118	334,141
	<u>2,039,830</u>	<u>1,922,905</u>
Less: accumulated depreciation	<u>(1,171,998)</u>	<u>(1,124,810)</u>
Net Property and Equipment	<u>867,832</u>	<u>798,095</u>
Other Assets:		
Security deposits	66,038	69,238
Total Other Assets	<u>66,038</u>	<u>69,238</u>
<b>Total Assets</b>	<u><u>\$ 6,928,515</u></u>	<u><u>\$ 6,270,314</u></u>

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
Liabilities:		
Accrued pension liability	\$ 5,036,631	\$ 3,645,074
Accounts payable	263,599	223,237
Accrued expenses	242,136	221,165
Deferred revenue	11,719	585,670
Accrued annual leave	488,536	472,703
Client trust deposits	2,368	19,479
Total Liabilities	<u>6,044,989</u>	<u>5,167,328</u>
Net Assets:		
Without Donor Restrictions:		
Attributable to operations	561,921	1,376,985
Attributable to pension liability	<u>(1,830,386)</u>	<u>(1,430,802)</u>
Net Assets Without Donor Restrictions	(1,268,465)	(53,817)
Net Assets With Donor Restrictions	<u>2,151,991</u>	<u>1,156,803</u>
Total Net Assets	<u>883,526</u>	<u>1,102,986</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 6,928,515</u></u>	<u><u>\$ 6,270,314</u></u>

*See Notes to Financial Statements.*

# CONNECTICUT LEGAL SERVICES, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contracts	\$ 3,227,902	\$ -	\$ 3,227,902
Contributions	7,181,006	3,651,985	10,832,991
Donated goods and services	274,799	-	274,799
Interest	31,707	-	31,707
Other	219,088	-	219,088
	<u>10,934,502</u>	<u>3,651,985</u>	<u>14,586,487</u>
Net assets released from restrictions	2,656,797	(2,656,797)	-
Total Revenues and Support	<u>13,591,299</u>	<u>995,188</u>	<u>14,586,487</u>
Expenses:			
Program services	11,054,144	-	11,054,144
Management and general	1,644,668	-	1,644,668
Fundraising	276,749	-	276,749
Total Expenses	<u>12,975,561</u>	<u>-</u>	<u>12,975,561</u>
Change in Net Assets Before Nonoperating Activities	615,738	995,188	1,610,926
Nonoperating Activities			
Benefit plan changes other than net periodic costs	<u>(1,830,386)</u>	<u>-</u>	<u>(1,830,386)</u>
Change in Net Assets	(1,214,648)	995,188	(219,460)
Net Assets (Deficiency) - Beginning	<u>(53,817)</u>	<u>1,156,803</u>	<u>1,102,986</u>
Net Assets (Deficiency) - End	<u>\$ (1,268,465)</u>	<u>\$ 2,151,991</u>	<u>\$ 883,526</u>

See Notes to Financial Statements.

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and Support:			
Grants and contracts	\$ 3,007,135	\$ -	\$ 3,007,135
Contributions	6,746,521	2,230,839	8,977,360
Donated goods and services	233,372	-	233,372
Interest	11,773	-	11,773
Other	296,850	-	296,850
	<u>10,295,651</u>	<u>2,230,839</u>	<u>12,526,490</u>
Net assets released from restrictions	<u>2,173,956</u>	<u>(2,173,956)</u>	<u>-</u>
Total Revenues and Support	<u>12,469,607</u>	<u>56,883</u>	<u>12,526,490</u>
Expenses:			
Program services	10,186,452	-	10,186,452
Management and general	2,030,014	-	2,030,014
Fundraising	337,109	-	337,109
Total Expenses	<u>12,553,575</u>	<u>-</u>	<u>12,553,575</u>
Change in Net Assets Before Nonoperating Activities	(83,968)	56,883	(27,085)
Nonoperating Activities			
Benefit plan changes other than net periodic costs	<u>1,186,376</u>	<u>-</u>	<u>1,186,376</u>
<b>Change in Net Assets</b>	1,102,408	56,883	1,159,291
<b>Net Assets (Deficiency) - Beginning</b>	<u>(1,156,225)</u>	<u>1,099,920</u>	<u>(56,305)</u>
<b>Net Assets (Deficiency) - End</b>	<u>\$ (53,817)</u>	<u>\$ 1,156,803</u>	<u>\$ 1,102,986</u>

*See Notes to Financial Statements.*



**CONNECTICUT LEGAL SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 5,459,581	\$ 983,896	\$ 176,958	\$ 6,620,435
Pension plan contributions	608,624	109,683	19,727	738,034
Other employee benefits	1,500,588	270,428	48,638	1,819,654
Payroll taxes	449,816	81,064	14,580	545,460
Total Personnel Expenses	<u>8,018,609</u>	<u>1,445,071</u>	<u>259,903</u>	<u>9,723,583</u>
Non-Personnel Expenses:				
Contractual services	1,620,818	20,992	3,776	1,645,586
Office expenses	137,607	40,058	1,522	179,187
Information technology	87,372	9,881	428	97,681
Occupancy	563,496	71,564	7,672	642,732
Travel	99,656	5,726	-	105,382
Conferences, conventions, and meetings	19,982	4,195	101	24,278
Insurance	44,419	5,600	622	50,641
Other expenses:				
Periodicals	21,374	2,695	299	24,368
Temporary help/work study	9,946	15,890	-	25,836
Court costs/legal fees	13,324	-	-	13,324
Occupational tax	31,956	-	-	31,956
Memberships	17,611	2,220	247	20,078
Other expenses	40,559	3,413	1,947	45,919
Uncollectible income	-	-	-	-
Depreciation and amortization	67,887	2,092	232	70,211
Donated services	259,528	15,271	-	274,799
Total Non-Personnel Expenses	<u>3,035,535</u>	<u>199,597</u>	<u>16,846</u>	<u>3,251,978</u>
<b>Total Functional Expenses</b>	<u><b>\$ 11,054,144</b></u>	<u><b>\$ 1,644,668</b></u>	<u><b>\$ 276,749</b></u>	<u><b>\$ 12,975,561</b></u>

See Notes to Financial Statements.

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ (219,460)	\$ 1,159,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,211	68,114
Uncollectible Income (bad debts)	-	33,413
Changes in assets and liabilities:		
Receivables	(682,740)	(135,850)
Prepaid expenses	(1,250)	(24,822)
Security deposits	3,200	4,384
Accrued pension liability	1,391,557	(1,066,463)
Accounts payable and accrued expenses	61,333	21,508
Refundable advances	(573,951)	209,185
Accrued annual leave	15,833	19,970
<b>Net Cash Provided by Operating Activities</b>	<u>64,733</u>	<u>288,730</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,501,005	751,428
Purchases of investments	(2,246,326)	(751,115)
Purchase of property, equipment, software	(139,948)	(13,199)
<b>Net Cash Used in Investing Activities</b>	<u>(885,269)</u>	<u>(12,886)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(820,536)	275,844
<b>Cash and Cash Equivalents - Beginning</b>	<u>2,400,044</u>	<u>2,124,200</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,579,508</u>	<u>\$ 2,400,044</u>

*See Notes to Financial Statements.*

# **CONNECTICUT LEGAL SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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### **NOTE 1 — ORGANIZATION AND NATURE OF ACTIVITIES**

Connecticut Legal Services, Inc. (CLS) is a private, not-for-profit corporation committed to providing access to justice as a means of improving the lives of low-income people. CLS advocates are dedicated to representing, advising, and educating low-income individuals and families in matters relating principally to civil law, thereby helping these individuals and families secure the protection, privileges, benefits, rights, and opportunities that the law provides.

### **NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**

#### ***CHANGE IN ACCOUNTING PRINCIPLE***

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU was designed to make improvements to current reporting requirements in order to, among other things, reduce complexity and increase understandability of net asset classifications, address deficiencies in information about liquidity and availability of resources, and provide consistency about the type of information provided about expenses. Management has adopted the ASU for its fiscal year ended June 30, 2019 and has applied the ASU retrospectively with the exception of disclosures on liquidity and availability of resources.

#### ***BASIS OF PRESENTATION***

CLS prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). CLS reports its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions. Net assets with donor restrictions represent those assets that carry conditions related to performance and/or passage of time. Net assets without donor restrictions represent available assets other than those that are donor restricted.

#### ***CASH***

Cash includes all funds on hand and on deposit with financial institutions, except for CLS' client funds. CLS maintains its cash in bank accounts, which may at times, exceed federally insured limits. Management believes that the organization's deposits are not exposed to significant credit risk.

#### ***CONTRIBUTIONS/PROMISES TO GIVE***

Contributions are recognized by CLS when the donor makes a promise to give that is unconditional. Unconditional promises are recognized as revenue and receivables in the period in which the promise is received.

Depending on the existence and nature of donor-imposed restrictions, conditional promises are reported as restricted support (increasing net assets with donor restrictions) when the condition is met. Use of the donor-restricted classification is appropriate if donor-imposed restrictions either expire by the passage of time or can be fulfilled or removed by actions of the recipient organization. Upon satisfaction, net assets with donor restrictions are reclassified

# **CONNECTICUT LEGAL SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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as net assets without donor restrictions. All promises to give with the exception of \$77,000 will be collected in one year or less.

### ***DONATED SERVICES***

CLS recognized within its financial statements \$274,799 in 2019 and \$233,372 in 2018 as support and expenditures for the fair value of attorney, clerical, and paralegal services. The value of these items is based upon comparable wages.

In addition, private attorneys provide legal services to eligible persons referred to them by CLS. However, although CLS makes the referral, responsibility and control over how the particular case and person is served rests with the outside attorney. The value of this time is not recognized within CLS' financial statements as donated revenue/expense as the criteria for recognition for GAAP purposes has not been met.

### ***ESTIMATES***

The preparation of financial statements in conformity with GAAP requires CLS' management to make estimates and assumptions that affect certain reported amounts and disclosures. CLS' estimates are based on assumptions about the future that are believed to be reasonable based on available information at the time of measurement. Accordingly, actual results could differ from those estimates.

### ***FUNCTIONAL ALLOCATION OF EXPENSES***

The cost of providing various programs and supporting services have been presented on a functional basis in the statement of functional expenses. Certain expenses attributable to more than one program or supporting function have been allocated based on reasonable assumptions and estimates made by management. Salaries and employee benefits have been allocated based on time and effort. Occupancy, office expenses, information technology, insurance, meeting expenses, memberships, and certain depreciation expenses have been allocated based on primary use of each business office.

### ***GRANT AND CONTRACT SUPPORT***

CLS recognizes as support, funds from grants and contracts as costs are incurred and specified activities are performed. Receivables are recognized to the extent costs have been incurred but not reimbursed. Conversely, liabilities are recognized when grant advances exceed costs incurred (refundable advances and deferred revenues).

### ***INCOME TAXES***

CLS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CLS qualifies for the charitable contribution deduction as provided in Section 170 of the Internal Revenue Code. CLS has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Code Section 509(a). GAAP requires CLS' management to evaluate tax positions taken by CLS and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. CLS' management has analyzed the tax positions taken by CLS, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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Parking expenses paid by CLS in 2019 and 2018 for qualified transportation fringe benefits resulted in unrelated business taxable income (UBTI) as required under the Tax Cuts and Jobs Act of 2017. The estimated tax on UBTI was \$13,600 and \$6,761, respectively.

CLS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Interest and penalties, if any, would be recorded as part of income tax expense. CLS' management believes CLS is not subject to income tax examinations for years prior to 2016.

***SHORT-TERM INVESTMENTS***

Short-term investments consist of U.S. Treasury Bills or certificates of deposit with a maturity less than one year when acquired. U.S. Treasury Bills are carried at amortized cost. Certificates of deposit are carried at the lower of cost or fair value.

***PROPERTY AND EQUIPMENT***

CLS capitalizes all expenditures for property and equipment in excess of \$5,000. Donated items are recorded at their fair market value at the time of the donation. Such donations are recorded as unrestricted support unless the donor has restricted the asset to a specific purpose. CLS received no donated goods in 2019 or 2018.

Depreciation expense on property and equipment and amortization expense on leasehold improvements and software are computed on a straight-line basis over the estimated useful lives of the assets. Furniture, fixtures, equipment and software have been assigned a five year life, building improvements a fifteen year life, buildings a twenty-five year life, and leasehold improvements at the shorter of their useful life or the life of the lease.

Property and equipment are considered to be owned by CLS while in use for its programs. However, certain funding sources may have a reversionary interest in assets acquired with their funding, including the right to determine the disposition of any proceeds from the sales of those assets.

***RECLASSIFICATION***

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

***SUBSEQUENT EVENTS***

Subsequent events have been evaluated through December 11, 2019, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

**NOTE 3 — LIQUIDITY**

CLS has \$5,763,899 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditure consisting of cash of \$1,570,067, grants receivable and promises to give of \$2,699,081 and short-term investments of \$1,494,751. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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financial position date. Promise to give are subject to implied time restrictions but are expected to be collected within one year. CLS has a goal to maintain financial assets, which consist of cash and short-term investments, on hand, to meet 60 days of normal operating expenses, which are, on average, approximately \$1,800,000. CLS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, CLS invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. As more fully described in Note 8, CLS also has a committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

### NOTE 4 — EMPLOYEE RETIREMENT PLANS

#### ***DEFINED BENEFIT PENSION PLAN***

CLS maintains a defined benefit pension plan which was amended in 2007 to reflect that the plan is closed to new participants, and benefit accruals ceased on August 31, 2007. The plan utilizes the calendar year (January 1 – December 31) as its plan year.

Participants entitled to annual pension benefits beginning at normal retirement age (65) are equal to the sum of (1) 1.25% of the employee's average monthly compensation up to covered compensation (over the five years prior to August 31, 2007) multiplied by their total number of years of service, up to a maximum of thirty years and (2) 1.9% of the their average monthly compensation (over the five years prior to August 31, 2007) in excess of 1/12<sup>th</sup> of their covered compensation multiplied by the total number of years of service, up to a maximum of thirty years.

Early retirement (age 55) is allowed, with corresponding reduced benefits, as long as the years of service requirement has been met. Death, disability and termination payouts are available according to provisions in the Plan.

CLS' funding policy is to make annual contributions to the plan in amounts within actuarially determined ranges. Participant contributions are not required or permitted under the Plan.

The Plan's investment policy mandates investment diversity to minimize large losses and establishes a goal of an absolute rate of return of 6.75%. The current investment mix, as stated in the investment policy, is comprised of 50% Fixed Income, 20% U.S. Large Cap Equity, 15% U.S. Mid Cap Equity, 10% International Equity, and 5% U.S. Small Cap Equity.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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As of June 30, 2019 and June 30, 2018, Plan investments were as follows:

	2019	2018
Mutual funds	\$ 11,471,476	\$ 5,516,032
Exchange traded funds	-	5,525,120
Money market funds	175,259	158,159
Total assets	<u>\$ 11,646,735</u>	<u>\$ 11,199,311</u>

***FAIR VALUE MEASUREMENTS***

Fair value is defined 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 (i.e. an exit price). In measuring fair value, CLS uses Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 820. This standard provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The Plan's assets at June 30, 2019 and 2018 are classified as level 1. Fair value is based on fiscal year end market quotations.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Observable inputs other than quoted prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quoted intervals); and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity); level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the Plan's investments are level 1 investments.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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***FUNDING STATUS AND PROGRESS***

CLS recognizes the full amount of the funded status of its defined benefit plan as an asset or a liability in its statements of financial position. The funded status of a plan is measured as the difference between the fair value of plan assets and the projected benefit obligation.

The amount shown as projected benefit obligation is a measure of benefits attributed to service through August 31, 2007 when accrued benefits were frozen.

The projected benefit obligation at June 30, 2019 and 2018 is an actuarially computed amount based upon information provided by the Plan actuary. The significant actuarial assumptions used in this update include (a) an expected long-term rate of return of 6.75% for the years ended June 30, 2019 and 2018 and (b) a discount rate of 3.31% and 4.06% for the years ended June 30, 2019 and 2018, respectively. These assumptions are based on the presumption that the Plan will continue.

The accrued pension cost recognized by CLS as a liability in its financial statements as of June 30 is as follows:

	2019	2018
Pension benefit obligation:		
Projected benefit obligation	\$ (16,683,366)	\$ (14,844,385)
Fair value of plan assets	<u>11,646,735</u>	<u>11,199,311</u>
Underfunded benefit		
obligation/accrued pension cost	<u><u>\$ (5,036,631)</u></u>	<u><u>\$ (3,645,074)</u></u>

The change during the years ended June 30 in CLS' accrued pension cost is as follows:

	2019	2018
Accrued pension cost - beginning	\$ (3,645,074)	\$ (4,711,537)
Net periodic pension cost	(207,417)	(356,954)
Contribution	646,246	237,041
Asset gain / (loss) deferred	<u>(1,830,386)</u>	<u>1,186,376</u>
Accrued pension cost - end	<u><u>\$ (5,036,631)</u></u>	<u><u>\$ (3,645,074)</u></u>



**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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For the years ended June 30, the components of net periodic cost are:

	2019	2018
Service cost	\$ 100,000	\$ 100,000
Interest cost	583,954	556,662
Actual return on plan assets	(489,223)	(646,276)
Asset gain or loss deferred	(235,756)	(65,315)
Amortization of unrecognized gain or loss	248,442	411,883
	<u>\$ 207,417</u>	<u>\$ 356,954</u>

As of June 30, 2019, the following projected benefit payments are:

2019-2020	\$ 1,024,000
2020-2021	1,039,000
2021-2022	1,064,000
2022-2023	1,084,000
2023-2024	1,100,000
2024-2029	<u>5,224,000</u>
	<u>\$ 10,535,000</u>

Pension benefits and expenses for the years ended June 30, 2019 and 2018 were \$688,045 and \$648,984, respectively. CLS expects to contribute approximately \$493,494 to the Pension Plan in 2020. No plan assets are expected to be returned to CLS in 2020.

**401(K) PLAN**

CLS maintains a 401(k) plan covering all eligible participants who perform one hour of service. Each eligible employee who becomes a participant in the plan will receive 401(k) contributions from CLS as a percentage of total salary, as specified in the Collective Bargaining Agreement. Each participant in the plan also has the option of making elective deferrals up to 100 percent of salary or the maximum allowed by law.

Employer contributions to the plan on behalf of plan participants for the years ended June 30, 2019 and 2018 were \$530,617 and \$556,046 respectively.

**NOTE 5 — COMMITMENTS**

**OFFICE AND EQUIPMENT LEASES**

CLS has seven lease agreements for rental of office space throughout Connecticut, several of which are subject to increases for real estate taxes and other escalation charges. Monthly payments on these leases range from \$1,542 to \$10,701, the last of which expires September 30, 2028.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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CLS has leases for office equipment with unrelated third parties. The monthly payments for these leases range from \$48 to \$1,177, the last of which expires September 1, 2023.

Office and equipment lease expense for the years ended June 30, 2019 and 2018 was \$493,092 and \$497,060, respectively.

The aggregate minimum lease commitment under all leases in effect at June 30, 2019 was as follows:

2020	\$ 500,064
2021	492,640
2022	432,894
2023	415,832
2024	412,088
Thereafter	<u>1,655,286</u>
	<u>\$ 3,908,804</u>

**NOTE 6 — PRINCIPAL FUNDING SOURCES/ NET ASSETS WITH DONOR RESTRICTIONS**

CLS is funded through a variety of grants, contracts, and contributions from individuals, the State of Connecticut, nonprofit organizations and municipalities. A summary of unrestricted funding sources over \$100,000 for the years ended June 30 is as follows:

	2019	2018
Area Agencies on Aging (Title III)	\$ 151,322	\$ 148,545
Connecticut Bar Foundation - CFGIA	6,528,263	6,483,410
Connecticut Bar Foundation - IOLTA	1,431,243	972,827
Connecticut Bar Foundation - JBGIA	707,480	707,358
Connecticut Bar Foundation - Singer Fellow	56,250	-
Connecticut Bar Foundation - Bank of America	252,526	-
Connecticut Department of Rehabilitation Services	117,943	95,518
Connecticut Department of Social Services	689,113	699,156
Connecticut Office of Victim Services	1,629,207	1,590,176
Financial Distress Research Project	194,613	184,773
Nonprofit Grant Program	139,165	-
Program fees and Campaign donations	458,943	507,967
United Way Agencies	<u>99,629</u>	<u>105,768</u>
	<u>\$ 12,455,697</u>	<u>\$ 11,495,498</u>

CLS entered into subcontracts with other non-profit legal services providers in Connecticut for the provision of services under these and other programs. Total compensation to subcontractors for the years ended June 30, 2019 and 2018 was \$1,340,563 and \$1,111,980, respectively.

Many of the funding sources noted above provide awards for future periods and are recorded as net assets with donor restrictions. Net assets with donor restrictions as of June 30, 2019

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

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and 2018 are \$2,151,991 and \$1,156,803, respectively and are available for operating activities in the next fiscal year.

**NOTE 7 — CONCENTRATIONS AND CONTINGENCIES**

Receivables — CLS has incurred costs and recognized receivables based upon written commitments for grants and contracts from various State of Connecticut agencies, municipalities and private corporations. Although receipt of these monies is predicated on funding being available to these various agencies, it is CLS' management's opinion that these amounts are fully collectible.

Revenues — CLS received funding in excess of 10% of revenues from the Connecticut Bar Foundation's Court Fees Grants-in-Aid program (CFGIA) which provides funding for legal aid programs across the state, sourced from certain court filing fees, and through a contract with the State of Connecticut Office of Victim Services (OVS) to provide coordinated civil legal representation for victims of domestic violence. The CFGIA program provided funding of \$6,528,263 and \$6,483,410 for the years ended June 30, 2019 and 2018, respectively. Funding in the amount of \$1,629,207 and \$1,590,176 was received from OVS for the respective years ended June 30, 2019 and 2018.

CLS has received funding from various federal, state, and private sources that reserve the right to conduct audits of their funding activities. Such audits could lead to requests for reimbursements from CLS for any expenditure found to be disallowed under the terms of the funding agreement. CLS' management is of the opinion that CLS is in compliance with its various funding source agreements.

**NOTE 8 — LINE OF CREDIT**

CLS has a business line of credit of \$500,000 with Webster Bank which expires on August 24, 2021. The line of credit is secured by CLS' Waterbury and Willimantic properties with an interest rate equal to the Webster Bank Prime Rate plus 1.00% per annum, reset monthly. As of June 30, 2019 and 2018, CLS had not drawn down any funds against this line of credit, nor incurred any interest charges.

**NOTE 9 — COLLECTIVE BARGAINING AGREEMENT**

CLS has a collective bargaining agreement with the Connecticut Legal Services Staff Association (CLSSA), members of the National Organization of Legal Services Workers (NOLSW), United Auto Workers (UAW), Local 2320. The agreement directly affects approximately 69% of CLS' employees who are members of the union and represents approximately 65% of total compensation. The current agreement with CLSSA expires on December 31, 2021.

**CONNECTICUT LEGAL SERVICES, INC.**

**SCHEDULE OF REVENUES AND EXPENDITURES  
OF THE CONNECTICUT BAR FOUNDATION PROGRAMS**

**JUNE 30, 2019**

	<b>Interest on Lawyers Trust Account</b>	<b>Court Fees Grants-In-Aid</b>	<b>Judicial Branch Grants-In-Aid</b>	<b>Bank of America Settlement Funds</b>	<b>Singer Fellowship</b>	<b>Total</b>
<b>Revenues and Support</b>	\$ 1,431,243	\$ 6,528,263	\$ 707,480	\$ 252,526	\$ 56,250	\$ 8,975,762
<b>Expenditures</b>						
Salaries and wages	806,348	3,568,064	399,715	65,103	45,000	4,884,230
Employee benefits	341,934	1,349,513	169,354	5,439	7,686	1,873,926
Payroll taxes	66,435	306,619	32,932	5,072	3,564	414,622
Equipment rental & maintenance	5,067	24,993	2,693	-	-	32,753
Insurance	7,205	35,514	3,830	-	-	46,549
Library, printing & publications	15,009	71,223	7,978	-	-	94,210
Membership dues & fees	2,856	14,645	1,518	-	-	19,019
Miscellaneous	11,742	58,753	6,409	-	-	76,904
Occupancy	109,857	432,232	56,972	-	-	599,061
Postage & shipping	1,388	6,281	738	-	-	8,407
Professional fees	26,060	72,118	5,493	176,912	-	280,583
Supplies	13,809	69,902	7,340	-	-	91,051
Telephone	6,055	29,325	3,218	-	-	38,598
Travel & meetings	17,478	84,710	9,290	-	-	111,478
<b>Total Expenditures</b>	<u>1,431,243</u>	<u>6,123,892</u>	<u>707,480</u>	<u>252,526</u>	<u>56,250</u>	<u>8,571,391</u>
<b>Revenues and Support Over Expenditures</b>	-	404,371	-	-	-	404,371
<b>Other Changes in Net Assets</b>						
Acquisition of property, equipment, software	-	-	-	-	-	-
Uncollectible Income	-	-	-	-	-	-
<b>Change in Net Assets</b>	-	404,371	-	-	-	404,371
<b>Net Assets - Beginning</b>	<u>(86,123)</u>	<u>23,136</u>	<u>353,639</u>	<u>-</u>	<u>-</u>	<u>290,652</u>
<b>Net Assets - End</b>	<u>\$ (86,123)</u>	<u>\$ 427,507</u>	<u>\$ 353,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,023</u>

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

To the Board of Directors  
Connecticut Legal Services, Inc.

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 Connecticut Legal Services, Inc. (a nonprofit entity), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2019.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Connecticut Legal Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Legal Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Connecticut Legal Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Connecticut Legal Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hartford, Connecticut  
December 11, 2019

# CONNECTICUT LEGAL SERVICES, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Expenditures
Department of Health and Human Services:				
Passed Through the State of Connecticut:				
Department of Social Services				
Social Services Block Grant	93.667	083-1FZ-SBG-02 / 16DSS5001FZ	\$ 66,848	\$ 170,911
Social Services Block Grant	93.667	083-1FZ-SBG-03 / 18DSS5001FZ	200,541	512,730
			<u>267,389</u>	<u>683,641</u>
Passed Through the State of Connecticut:				
State Department of Aging				
Special Programs For the Aging Title IV and Title II - Discretionary Projects				
Senior Medicare Patrol Project	93.048	17SDASMP01CLS	-	4,000
Consumer Law Project for Elders	93.048	16SDAMLPO1CLS	-	105,652
Connecticut Long Term Care Ombudsman Program	93.044	17SDAOMBPO1CLS	-	8,291
			<u>-</u>	<u>117,943</u>
Passed Through the Area Agencies on Aging:				
Special Programs For the Aging Title III, Part B				
Grants For Supportive Services and Senior Centers				
Southwestern Connecticut Area Agency on Aging	93.044	18-B12-20	-	10,305
Southwestern Connecticut Area Agency on Aging	93.044	19-B12-19	-	37,341
Western Connecticut Area Agency on Aging	93.044	2018-B-11	-	8,705
Western Connecticut Area Agency on Aging	93.044	2019-B-19	-	29,271
Senior Resources Agency on Aging	93.044	E-18-1	-	9,074
Senior Resources Agency on Aging	93.044	E-19-1	-	41,485
			<u>-</u>	<u>136,181</u>
Passed Through the Area Agencies on Aging:				
National Family Caregiver Support, Title III, Part E				
Western Connecticut Area Agency on Aging	93.052	2018-GRG-02	-	3,111
Western Connecticut Area Agency on Aging	93.052	2019-GRG-01	-	11,031
			<u>-</u>	<u>14,142</u>
Passed Through the Office of Refugee Resettlement				
Vera Institute of Justice				
Unaccompanied Children Legal Services Project	93.584	2018-Vera-CU-OY2	-	21,027
Unaccompanied Children Legal Services Project	93.584	2018-Vera-CU-OY3	-	52,228
			<u>-</u>	<u>73,255</u>
Total Department of Health and Human Services			<u>267,389</u>	<u>1,025,162</u>
Department of Justice:				
Passed Through the State of Connecticut:				
Office of Victim Services				
Victims of Crime Act - Victim Assistance Grant	16.575	2016-VA-GX-0025 / 03-1600-19	863,182	1,628,582
			<u>863,182</u>	<u>1,628,582</u>
Passed Through the Office for Victims of Crime				
Equal Justice Works				
Crime Victims Justice Corp Legal Fellowship Program	16.582	2018-CVJC-009	-	54,126
			<u>-</u>	<u>54,126</u>
Total Department of Justice			<u>863,182</u>	<u>1,682,708</u>
Department of Housing and Urban Development (HUD)				
Passed Through the City of Waterbury:				
Community Development Block Grant/Entitlement Grants	14.218	CD-43	-	2,430
Community Development Block Grant/Entitlement Grants	14.218	CD-44	-	7,850
			<u>-</u>	<u>10,280</u>
Passed Through the Town of Fairfield:				
Community Development Block Grant/Entitlement Grants	14.218	PY-43	-	1,000
Community Development Block Grant/Entitlement Grants	14.218	PY-44	-	2,696
			<u>-</u>	<u>3,696</u>
Total Department of Housing and Urban Development (HUD)			<u>-</u>	<u>13,976</u>
Total Expenditures of Federal Awards			<u>\$ 1,130,571</u>	<u>\$ 2,721,846</u>

See Notes to Schedule of Expenditures of Federal Awards.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

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**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Connecticut Legal Services, Inc. under programs of the federal government for the year ended June 30, 2019. 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 Connecticut Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Connecticut Legal Services, Inc.

**Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Connecticut Legal Services, Inc. has elected to use the 10% de minimis indirect cost rate through the appropriate cognizant agency as allowed under the Uniform Guidance.

**Note 3 - Delegate agencies**

Included within its expenditures under the Social Service Block Grant award (CFDA #93.667) are payments to non-profit delegate agencies (New Haven Legal Assistance Association, Inc. \$117,547 and Greater Hartford Legal Aid, Inc. \$149,842) for services provided under the Grant.

Included within its expenditures under the Victims of Crime Act - Victim Assistance Grant award (CFDA #16.575) are payments to non-profit delegate agencies (New Haven Legal Assistance Association, Inc. \$239,190, Greater Hartford Legal Aid, Inc. \$304,896, Connecticut Coalition Against Domestic Violence \$219,905 and Connecticut Alliance to End Sexual Violence \$99,191) for services provided under the Grant.



Independent Auditor's Report on Compliance for Each Major  
Federal Program; Report on Internal Control over Compliance;  
and Report on the Schedule of Expenditures of Federal  
Awards Required by the Uniform Guidance

To the Board of Directors  
Connecticut Legal Services, Inc.

*Report on Compliance for Each Major Federal Program*

We have audited Connecticut Legal Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Connecticut Legal Services, Inc.'s major federal programs for the year ended June 30, 2019. Connecticut 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.

*Management's Responsibility*

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Connecticut Legal Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance 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 Connecticut 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Connecticut Legal Services, Inc.'s compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Connecticut Legal Services, 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 June 30, 2019.

### *Report on Internal Control over Compliance*

Management of Connecticut Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Connecticut Legal Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Connecticut Legal Services, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Hartford, Connecticut  
December 11, 2019

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements are in accordance with GAAP:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

       yes   X   no

Significant deficiencies(ies) identified?

       yes   X   none reported

Noncompliance material to financial statements noted?

       yes   X   no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

       yes   X   no

Significant deficiency(ies) identified?

       yes   X   none reported

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

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

       yes   X   no

Identification of major programs:

CFDA Number(s)  
16.575

Name of Federal Program or Cluster  
Victims of Crime Act – Victim Assistance Grant

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

       yes   X   no

II. Findings - Financial Statement Audit

None.

III. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

**CONNECTICUT LEGAL SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2019**

<b>State Grantor/ Pass Through Grantor/ Program Title</b>	<b>State Grant Program CORE - CT Number</b>	<b>Expenditures</b>
<u>Department of Social Services</u>		
Social Services Block Grant	11000-DSS061000-10251	\$ 5,472
		<u>5,472</u>
<u>Judicial Branch</u>		
Passed through Connecticut Bar Foundation:		
Court Fees Grants-in-Aid	34001-JUD95000-22009	6,123,892
Judicial Branch Grants-in-Aid	11000-JUD95131-22004	707,480
Civil Gideon Pilot Program	35659-JUD95313-12060-22003	85,050
Educational Support Services	11000-JUD96114-12105-22004	11,000
MSW Social Workers	11000-JUD95131-12516-22004	26,191
		<u>6,953,613</u>
<u>Office of Policy and Management</u>		
Connecticut Nonprofit Grant Program	12052-OPM20830-43574	139,165
		<u>139,165</u>
Total Expenditures of State Financial Assistance		<u>\$ 7,098,250</u>

*See Note to Schedule of Expenditures of State Financial Assistance.*

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2019**

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**Note 1 - Basis of presentation**

The accounting policies of Connecticut Legal Services, Inc. conform to accounting principles generally accepted in the United States of America for nonprofit entities.

The schedule of expenditures of state financial assistance (the "Schedule") includes state grant activity of the Organization under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The Schedule is reported on the accrual basis of accounting and is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Independent Auditor's Report on Compliance for Each Major  
State Program; Report on Internal Control over Compliance;  
and Report on the Schedule of Expenditures of State  
Financial Assistance Required by the State Single Audit Act

To the Board of Directors  
Connecticut Legal Services, Inc.

*Report on Compliance for Each Major State Program*

We have audited Connecticut Legal Services, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Connecticut Legal Services, Inc.'s major state programs for the year ended June 30, 2019. Connecticut Legal Services, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Connecticut Legal Services, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Connecticut 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 on compliance for each major state program. However, our audit does not provide a legal determination of Connecticut Legal Services, Inc.'s compliance.

*Opinion on Each Major State Program*

In our opinion, Connecticut Legal Services, 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 state programs for the year ended June 30, 2019.

*Report on Internal Control over Compliance*

Management of Connecticut Legal Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Connecticut Legal Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Connecticut Legal Services, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut  
December 11, 2019

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's opinion issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?

       yes   X   no

State Financial Assistance:

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

       yes   X   no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State CORE-CT Number</u>	<u>Expenditures</u>
Judicial Branch		
Passed through Connecticut Bar Foundation:		
Court Fees Grants-in-Aid	34001-JUD95000-22009	\$6,123,892
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 200,000</u>

II. Financial Statement Findings

None.

III. State Financial Assistance Findings and Questioned Costs

None.





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