

**Connecticut Legal Services, Inc.**

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

**June 30, 2020 and 2019**

---

## Connecticut Legal Services, Inc.

### Index

	<u>Page</u>
Independent Auditor's Report	2-3
Statements of Financial Position	4-5
Statements of Activities	6-7
Statement of Functional Expenses	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-21
Supplementary Information	
Schedule of Revenues and Expenditures of the Connecticut Bar Foundation Programs	22
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 <i>Government Auditing Standards</i>	23-24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	27-28
Schedule of Findings and Questioned Costs - Federal Awards	29
Schedule of Expenditures of State Financial Assistance	30
Note to Schedule of Expenditures of State Financial Assistance	31
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the State Single Audit Act	32-33
Schedule of Findings and Questioned Costs - State Financial Assistance	34

## 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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 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, 2020 and 2019, 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**Other Information*

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of CLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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'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 CLS's internal control over financial reporting and compliance.



Hartford, Connecticut  
December 28, 2020

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Current Assets:		
Cash and cash equivalents	\$ 3,661,489	\$ 1,579,508
Cash in escrow - client funds	3,825	2,368
Short term investments	1,199,621	1,494,751
Grants and contracts receivable	676,400	997,345
Promises to give	1,671,717	1,778,491
Other receivables	19,457	25,971
Prepaid expenses	101,955	116,211
Total current assets	<u>7,334,464</u>	<u>5,994,645</u>
Property and equipment:		
Software	13,200	13,200
Building and building improvements	1,252,753	1,252,753
Equipment	462,759	462,759
Leasehold improvements	311,118	311,118
	<u>2,039,830</u>	<u>2,039,830</u>
Less: accumulated depreciation	<u>(1,245,565)</u>	<u>(1,171,998)</u>
Net property and equipment	<u>794,265</u>	<u>867,832</u>
Other assets:		
Security deposits	<u>54,565</u>	<u>66,038</u>
Total other assets	<u>54,565</u>	<u>66,038</u>
<b>Total Assets</b>	<u><u>\$ 8,183,294</u></u>	<u><u>\$ 6,928,515</u></u>

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Liabilities:		
Accrued pension liability	\$ 5,845,256	\$ 5,036,631
Accounts payable	326,152	263,599
Loan payable - PPP loan	1,674,195	-
Accrued expenses	254,602	242,136
Refundable advances	110,266	11,719
Accrued annual leave	548,466	488,536
Client trust deposits	3,825	2,368
Total Liabilities	<u>8,762,762</u>	<u>6,044,989</u>
Net Assets (Deficiency):		
Without donor restrictions:		
Attributable to operations	(1,320,528)	561,921
Attributable to pension liability	<u>(867,619)</u>	<u>(1,830,386)</u>
Net assets without donor restrictions	(2,188,147)	(1,268,465)
Net assets with donor restrictions	<u>1,608,679</u>	<u>2,151,991</u>
Total Net Assets (Deficiency)	<u>(579,468)</u>	<u>883,526</u>
<b>Total Liabilities and Net Assets (Deficiency)</b>	<u><u>\$ 8,183,294</u></u>	<u><u>\$ 6,928,515</u></u>

*See Notes to Financial Statements.*

# CONNECTICUT LEGAL SERVICES, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contracts	\$ 3,212,649	\$ -	\$ 3,212,649
Contributions	6,196,400	2,630,919	8,827,319
Donated goods and services	124,671	-	124,671
Interest	26,318	-	26,318
Other	196,750	-	196,750
	<u>9,756,788</u>	<u>2,630,919</u>	<u>12,387,707</u>
Net assets released from restrictions	<u>3,174,231</u>	<u>(3,174,231)</u>	<u>-</u>
Total Revenues and Support	<u>12,931,019</u>	<u>(543,312)</u>	<u>12,387,707</u>
Expenses:			
Program services	11,056,080	-	11,056,080
Management and general	1,650,232	-	1,650,232
Fundraising	276,770	-	276,770
Total Expenses	<u>12,983,082</u>	<u>-</u>	<u>12,983,082</u>
Change in Net Assets:			
Before Nonoperating Activities	(52,063)	(543,312)	(595,375)
Nonoperating Activities			
Benefit plan changes other than net periodic costs	<u>(867,619)</u>	<u>-</u>	<u>(867,619)</u>
Change in Net Assets	(919,682)	(543,312)	(1,462,994)
Net Assets (Deficiency) - Beginning	<u>(1,268,465)</u>	<u>2,151,991</u>	<u>883,526</u>
Net Assets (Deficiency) - End	<u>\$ (2,188,147)</u>	<u>\$ 1,608,679</u>	<u>\$ (579,468)</u>

See Notes to Financial Statements.

**CONNECTICUT LEGAL SERVICES, INC.**

**STATEMENT OF ACTIVITIES**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	<u>2,656,797</u>	<u>(2,656,797)</u>	<u>-</u>
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>
<b>Change in Net Assets</b>	<u>(1,214,648)</u>	<u>995,188</u>	<u>(219,460)</u>
<b>Net Assets (Deficiency) - Beginning</b>	<u>(53,817)</u>	<u>1,156,803</u>	<u>1,102,986</u>
<b>Net Assets (Deficiency) - End</b>	<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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Personnel Expenses:				
Salaries and wages	\$ 5,410,596	\$ 975,717	\$ 174,632	\$ 6,560,945
Pension plan contributions	790,905	142,627	25,527	959,059
Other employee benefits	1,432,093	258,256	46,222	1,736,571
Payroll taxes	439,449	79,248	14,184	532,881
Total Personnel Expenses	<u>8,073,043</u>	<u>1,455,848</u>	<u>260,565</u>	<u>9,789,456</u>
Non-Personnel Expenses:				
Contractual services	1,782,725	21,137	3,147	1,807,009
Office expenses	128,883	32,896	1,545	163,324
Information technology	89,585	10,669	432	100,686
Occupancy	550,699	66,540	7,393	624,632
Travel	65,014	3,278	77	68,369
Conferences, conventions, and meetings	6,140	4,691	50	10,881
Insurance	48,519	5,952	662	55,133
Other expenses:				
Periodicals	23,960	2,939	327	27,226
Temporary help/work study	1,600	-	-	1,600
Court costs/legal fees	12,474	21,899	-	34,373
Occupational tax	30,741	-	-	30,741
Memberships	14,876	1,825	203	16,904
Other expenses	50,575	1,598	2,337	54,510
Depreciation and amortization	71,250	2,285	32	73,567
Donated services	105,996	18,675	-	124,671
Total Non-Personnel Expenses	<u>2,983,037</u>	<u>194,384</u>	<u>16,205</u>	<u>3,193,626</u>
<b>Total Functional Expenses</b>	<u><u>\$ 11,056,080</u></u>	<u><u>\$ 1,650,232</u></u>	<u><u>\$ 276,770</u></u>	<u><u>\$ 12,983,082</u></u>

*See Notes to Financial Statements.*

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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
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><u>\$ 11,054,144</u></u>	<u><u>\$ 1,644,668</u></u>	<u><u>\$ 276,749</u></u>	<u><u>\$ 12,975,561</u></u>

*See Notes to Financial Statements.*

# CONNECTICUT LEGAL SERVICES, INC.

## STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (1,462,994)	\$ (219,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,567	70,211
Changes in assets and liabilities:		
Receivables	434,233	(682,740)
Prepaid expenses	14,256	(1,250)
Security deposits	11,473	3,200
Accrued pension liability	808,625	1,391,557
Accounts payable and accrued expenses	75,019	61,333
Refundable advances	98,547	(573,951)
Accrued annual leave	59,930	15,833
Client trust deposits	1,457	(17,111)
<b>Net Cash Provided by Operating Activities</b>	<u>114,113</u>	<u>47,622</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	5,050,225	1,501,005
Purchases of investments	(4,755,095)	(2,246,326)
Purchase of property, equipment, software	-	(139,948)
<b>Net Cash Provided by / (Used in) Investing Activities</b>	<u>295,130</u>	<u>(885,269)</u>
<b>Cash Flows from Financing Activities</b>		
Paycheck Protection Program loan	1,674,195	-
<b>Net Cash Provided by Financing Activities</b>	<u>1,674,195</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	2,083,438	(837,647)
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning</b>	<u>1,581,876</u>	<u>2,419,523</u>
<b>Cash, Cash Equivalents, and Restricted Cash - Ending</b>	<u>\$ 3,665,314</u>	<u>\$ 1,581,876</u>

*See Notes to Financial Statements.*

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

### 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 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The core principle of the new guidance is that an organization will recognize revenue when it transfers control over promised goods or services in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. Management has adopted the ASU for its fiscal year ended June 30, 2020 using the modified retrospective method and therefore, comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. CLS evaluated each revenue stream and applied ASU 2014-09 where applicable. ASU 2014-09 did not impact the amount of revenue recognized in previous periods and, accordingly, there was no impact to CLS’s opening net asset balances upon adoption. CLS does not expect the impact of the adoption of the new standard to be material to the results of operations on an ongoing basis.

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. Management has adopted the ASU for its fiscal year ended June 30, 2020 using the modified prospective method and therefore, the new standard was applied to revenue not yet recognized on agreements that were not completed as of June 30, 2019. There was no cumulative effect of applying ASU 2018-08.

The Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash* (“ASU 2016-18”) to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as “restricted cash” herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statement of financial position and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash, cash equivalents, and restricted cash as of June 30, 2018

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

was increased from \$2,400,044 to \$2,419,523 and ending cash, cash equivalents, and restricted cash as of June 30, 2019 was increased from \$1,579,508 to \$1,581,876.

### ***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 restrictions related to purpose and/or passage of time. Net assets without donor restrictions represent available assets other than those that are donor restricted.

### ***CASH AND CASH EQUIVALENTS***

Cash includes all funds on hand and on deposit with financial institutions, except for CLS's 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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum of the total of the same such amount shown in the statements of cash flows:

	2020	2019
Cash and cash equivalents	\$ 3,661,489	\$ 1,579,508
Cash in escrow - client funds	3,825	2,368
	<u>\$ 3,665,314</u>	<u>\$ 1,581,876</u>

### ***CASH IN ESCROW - CLIENT FUNDS***

CLS holds client funds on a temporary basis in restricted cash accounts. These client funds are recorded as cash in escrow - client funds with a corresponding client trusts deposit liability on the statements of financial position.

### ***CONTRIBUTIONS***

Contributions are recognized by CLS when the donor makes a promise to give that is unconditional. Contributions that are subject to donor-imposed conditions (e.g. a stipulation that includes a barrier that must be overcome), are recognized when the condition is met. 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, contributions are reported as net assets with donor restrictions or net assets without donor restrictions. Use of the donor-restricted classification is appropriate if donor-imposed restrictions either expire by the passage of time or the purpose restriction has been met. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified as net assets without donor restrictions. All promises to give at June 30, 2020 will be collected in one year or less. All

# **CONNECTICUT LEGAL SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

---

promises to give at June 30, 2019 with the exception of \$77,000 will be collected in one year or less.

CLS recognizes revenue from government grants and contracts as eligible costs are incurred and/or specified activities are performed. Grants may be considered an exchange transaction or a conditional/unconditional contribution depending on the terms of the grant. For grants considered to be unconditional contributions, revenue is recognized when awarded. Grants considered to be conditional contributions are recognized when the condition is met. Receivables are recognized to the extent eligible grant costs have been incurred but not reimbursed. Conversely, when grant advances exceed costs incurred, revenue is deferred until eligible grant costs are incurred.

### ***DONATED SERVICES***

CLS recognized within its financial statements \$124,671 in 2020 and \$274,799 in 2019 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's 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's management to make estimates and assumptions that affect certain reported amounts and disclosures. CLS's 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 statements 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.

### ***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's 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's management has analyzed the tax

# **CONNECTICUT LEGAL SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

---

positions taken by CLS, and has concluded that as of June 30, 2020 and 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.

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's management believes CLS is not subject to income tax examinations for years prior to 2017.

### ***SHORT-TERM INVESTMENTS***

Short-term investments consist of U.S. Treasury Bills with a maturity less than one year when acquired. U.S. Treasury Bills are carried at fair value.

CLS's short term investments at June 30, 2020 and 2019 are considered to be level 1 investments. The valuation techniques for these investments are obtained from real time quotes for transactions in active exchange markets.

Refer to Note 11 for fair value measurement hierarchy definitions.

### ***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 2020 or 2019.

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 28, 2020, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

---

**NOTE 3 — LIQUIDITY**

CLS has the following financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures:

	2020	2019
Cash and cash equivalents	\$ 3,661,489	\$ 1,579,508
Short term investments	1,199,621	1,494,751
Grants receivable and Promises to give	2,348,117	2,699,081
	<u>7,209,227</u>	<u>5,773,340</u>
Flexible benefits cash held for employees	(12,107)	(9,441)
Paycheck Protection Program loan proceeds		
restricted for use on eligible expenses	(1,674,195)	-
Net assets with donor restrictions	<u>(1,608,679)</u>	<u>(2,151,991)</u>
	 <u>\$ 3,914,246</u>	 <u>\$ 3,611,908</u>

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 financial position date except for Paycheck Protection Program (PPP) loan proceeds restricted for use on eligible expenses in the current and following fiscal year. Promises 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.



# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

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's 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.

As of June 30, 2020 and 2019, Plan investments were as follows:

	2020	2019
Mutual funds	\$ 11,751,878	\$ 11,471,476
Interest bearing cash	117,216	175,259
Total assets	<u>\$ 11,869,094</u>	<u>\$ 11,646,735</u>

The Plan's mutual fund assets at June 30, 2020 and 2019 are classified as level 1. Fair value is based on fiscal year end market quotations.

The Plan's interest-bearing cash, valued at amortized cost at June 30, 2020 and 2019, is classified as Level 2.

Refer to Note 11 for fair value measurement hierarchy definitions.

### **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, 2020 and 2019 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, 2020 and 2019 and (b) a discount rate of 2.41% and 3.31% for the years ended June 30, 2020 and 2019, respectively. These assumptions are based on the presumption that the Plan will continue.

**CONNECTICUT LEGAL SERVICES, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019**

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

	<u>2020</u>	<u>2019</u>
Pension benefit obligation:		
Projected benefit obligation	\$ (17,714,350)	\$ (16,683,366)
Fair value of plan assets	<u>11,869,094</u>	<u>11,646,735</u>
Underfunded benefit obligation/accrued pension cost	<u>\$ (5,845,256)</u>	<u>\$ (5,036,631)</u>

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

	<u>2020</u>	<u>2019</u>
Accrued pension cost - beginning	\$ (5,036,631)	\$ (3,645,074)
Net periodic pension cost	(434,500)	(207,417)
Contribution	493,494	646,246
Asset gain / (loss) deferred	<u>(867,619)</u>	<u>(1,830,386)</u>
Accrued pension cost - end	<u>\$ (5,845,256)</u>	<u>\$ (5,036,631)</u>

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 103,000	\$ 100,000
Interest cost	535,435	583,954
Actual return on plan assets	(483,686)	(489,223)
Asset gain or loss deferred	(274,148)	(235,756)
Amortization of unrecognized gain or loss	<u>553,899</u>	<u>248,442</u>
	<u>\$ 434,500</u>	<u>\$ 207,417</u>

As of June 30, 2020, the following projected benefit payments are:

2020-2021	\$ 1,068,000
2021-2022	1,089,000
2022-2023	1,105,000
2023-2024	1,119,000
2024-2025	1,111,000
2025-2030	<u>5,168,000</u>
	<u>\$ 10,660,000</u>

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

Pension benefits and expenses for the years ended June 30, 2020 and 2019 were \$754,821 and \$688,045, respectively. CLS expects to contribute approximately \$459,877 to the Pension Plan in 2021. No plan assets are expected to be returned to CLS in 2021. Amounts not yet recognized as components of net periodic benefit cost consist of net unrecognized losses of \$5,715,334 and \$4,847,715 at June 30, 2020 and 2019, respectively. The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in the fiscal year ended June 30, 2021 is \$748,368.

### **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, 2020 and 2019 were \$524,560 and \$530,617 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.

CLS has leases for office equipment with unrelated third parties. The monthly payments for these leases range from \$48 to \$1,270, the last of which expires September 1, 2025.

Office and equipment lease expense for the years ended June 30, 2020 and 2019 was \$511,632 and \$493,092, respectively.

The aggregate minimum lease commitment under all leases in effect at June 30, 2020 was as follows:

2021	\$ 502,120
2022	442,374
2023	425,312
2024	421,567
2025	417,547
Thereafter	<u>1,243,774</u>
	<u>\$ 3,452,694</u>

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### 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:

	2020	2019
Area Agencies on Aging (Title III)	\$ 149,191	\$ 151,322
Connecticut Bar Foundation - CFGIA	5,691,646	6,528,263
Connecticut Bar Foundation - IOLTA	1,590,688	1,431,243
Connecticut Bar Foundation - JBGIA	704,381	707,480
Connecticut Bar Foundation - Singer Fellow	-	56,250
Connecticut Bar Foundation - Bank of America	351,448	252,526
Connecticut Department of Rehabilitation Services	11,750	117,943
Connecticut Department of Social Services	683,644	689,113
Connecticut Office of Victim Services	2,073,702	1,629,207
Financial Distress Research Project	271,741	194,613
Nonprofit Grant Program	-	139,165
Program fees and Campaign donations	546,568	458,943
United Way Agencies	86,702	99,629
	<u>\$ 12,161,461</u>	<u>\$ 12,455,697</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, 2020 and 2019 was \$1,578,039 and \$1,340,563, 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, 2020 and 2019 are \$1,608,679 and \$2,151,991, 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's 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) and Interest on Lawyer Trust Accounts (IOLTA) programs. CFGIA is sourced from certain court filing fees and IOLTA from interest earned on client funds temporarily held in escrow. In addition, CLS received funding in excess of 10% of revenues through a contract with the State of Connecticut Office of Victim Services (OVS) to provide coordinated civil legal representation for victims of domestic violence. Funding from CFGIA was \$5,691,646 and \$6,528,263 for the years ended June 30, 2020 and 2019, respectively. Funding from IOLTA was \$1,590,688 and \$1,431,243 for the

**CONNECTICUT LEGAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

---

years ended June 30, 2020 and 2019, respectively. Funding in the amount of \$2,073,702 and \$1,629,207 was received from OVS for the respective years ended June 30, 2020 and 2019.

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's management is of the opinion that CLS is in compliance with its various funding source agreements.

In March 2020 the World Health Organization declared the outbreak of a new coronavirus strain, COVID-19, a pandemic. Since that time, the COVID-19 pandemic has caused major disruption to the economy both at the national and state levels. CLS's operating activities, liquidity and cash flows may be adversely affected by the pandemic. Although CLS expects the disruption to be temporary, we cannot predict the duration or the depth of the disruption. Direct impacts of the disruption are expected to result in reduced funding primarily from CFGIA and IOLTA while limitations on operations may result in reduced ability to fully meet certain obligations under conditional grants.

**NOTE 8 — LINE OF CREDIT**

CLS has a business line of credit of \$500,000 with Webster Bank expiring on August 24, 2021. The line of credit is secured by CLS's 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, 2020 and 2019, CLS had not drawn down any funds against this line of credit, nor incurred any interest charges.

**NOTE 9 — LOAN PAYABLE - PPP LOAN**

On May 12, 2020, CLS received loan proceeds in the amount of \$1,674,195 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. CLS intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that CLS is not granted forgiveness, CLS will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of May 12, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

# CONNECTICUT LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

### NOTE 10 — 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 67% of CLS's employees who are members of the union and represents approximately 64% of total compensation. The current agreement with CLSSA expires on December 31, 2021.

### NOTE 11 — 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. 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);
- 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.

**CONNECTICUT LEGAL SERVICES, INC.**

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

**JUNE 30, 2020**

	<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>Total</b>
<b>Revenues and Support</b>	\$ 1,590,688	\$ 5,691,646	\$ 704,381	\$ 351,448	\$ 8,338,163
<b>Expenditures</b>					
Salaries and wages	912,517	2,832,031	402,765	140,041	4,287,354
Employee benefits	374,588	1,340,852	165,335	10,836	1,891,611
Payroll taxes	74,498	292,683	32,882	10,916	410,979
Equipment rental & maintenance	4,894	16,085	2,209	-	23,188
Insurance	9,904	32,071	4,470	-	46,445
Library, printing & publications	18,181	58,910	8,205	-	85,296
Membership dues & fees	3,037	10,342	1,371	-	14,750
Miscellaneous	16,742	52,880	7,558	-	77,180
Occupancy	111,763	331,139	50,445	-	493,347
Postage & shipping	2,260	7,105	1,020	-	10,385
Professional fees	23,931	68,363	10,801	189,655	292,750
Supplies	15,382	51,868	6,943	-	74,193
Telephone	8,765	27,996	3,956	-	40,717
Travel & meetings	14,226	43,407	6,421	-	64,054
<b>Total Expenditures</b>	<u>1,590,688</u>	<u>5,165,732</u>	<u>704,381</u>	<u>351,448</u>	<u>7,812,249</u>
<b>Revenues and Support Over Expenditures</b>	-	525,914	-	-	525,914
<b>Other Changes in Net Assets</b>					
Acquisition of property, equipment, software	-	-	-	-	-
Uncollectible Income	-	-	-	-	-
<b>Change in Net Assets</b>	-	525,914	-	-	525,914
<b>Net Assets (Deficiency) - Beginning</b>	<u>(86,123)</u>	<u>427,507</u>	<u>353,639</u>	<u>-</u>	<u>695,023</u>
<b>Net Assets (Deficiency) - End</b>	<u>\$ (86,123)</u>	<u>\$ 953,421</u>	<u>\$ 353,639</u>	<u>\$ -</u>	<u>\$ 1,220,937</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, 2020, 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 December 28, 2020.

*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) 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 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 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*.

### *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 28, 2020

# CONNECTICUT LEGAL SERVICES, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	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-03 / 18DSS5001FZ	\$ 2,050,932	\$ 267,928	\$ 683,644
				267,928	683,644
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	12,000	-	4,000
Consumer Law Project for Elders	93.048	16SDRMLP01CLS	286,301	-	7,500
Western CT Area Agency on Aging Exploitation and Abuse Guide	93.048	19SDRMLP1WCA	18,000	-	18,000
				-	29,500
Aging Cluster:					
Passed Through the State of Connecticut:					
State Department of Aging					
Special Programs For the Aging Title III, Part B					
Grants For Supportive Services and Senior Centers					
Connecticut Long Term Care Ombudsman Program	93.044	17SDROMBP1CLS	15,000	-	250
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	19-B12-19	50,000	-	11,667
Southwestern Connecticut Area Agency on Aging	93.044	20-B12-15	50,000	-	36,940
Western Connecticut Area Agency on Aging	93.044	2019-B-19	40,000	-	10,730
Western Connecticut Area Agency on Aging	93.044	2020-B-17	40,000	-	23,331
Senior Resources Agency on Aging	93.044	E-19-1	42,133	-	648
Senior Resources Agency on Aging	93.044	E-20-1	42,502	-	35,905
Total Aging Cluster				-	119,471
Passed Through the Area Agencies on Aging:					
National Family Caregiver Support, Title III, Part E					
Western Connecticut Area Agency on Aging	93.052	2019-GRG-01	18,000	-	6,969
Western Connecticut Area Agency on Aging	93.052	2020-GRG-02	8,000	-	5,000
				-	11,969
Passed Through the Office of Refugee Resettlement					
Vera Institute of Justice					
Refugee and Entrant Assistance - Targeted Assistance Grants					
Unaccompanied Children Legal Services Project	93.584	2019-Vera-CIJ-OY3	66,571	-	14,107
Unaccompanied Children Legal Services Project	93.584	2020-Vera-CIJ-OY4	68,561	-	46,135
				-	60,242
Total Department of Health and Human Services				267,928	904,826
Department of Justice:					
Passed Through the State of Connecticut:					
Office of Victim Services					
Crime Victim Assistance	16.575	2017-VA-GX-0020 / 02-1817-17	2,135,257	1,124,256	2,073,702
				1,124,256	2,073,702
Passed Through the Office for Victims of Crime					
Equal Justice Works					
Crime Victim Assistance/Discretionary Grants	16.582	2018-CVJC-009	110,074	-	52,930
				-	52,930
Total Department of Justice				1,124,256	2,126,632
Department of Housing and Urban Development (HUD)					
CDBG - Entitlement Grants Cluster					
Passed Through the City of Waterbury:					
Community Development Block Grants/Entitlement Grants	14.218	CD-44	10,088	-	2,238
Community Development Block Grants/Entitlement Grants	14.218	CD-45	9,874	-	7,405
				-	9,643
Passed Through the Town of Fairfield:					
Community Development Block Grants/Entitlement Grants	14.218	PY-44	3,500	-	804
Community Development Block Grants/Entitlement Grants	14.218	PY-45	4,000	-	3,000
				-	3,804
Total CDBG - Entitlement Grants Cluster				-	13,447
Total Expenditures of Federal Awards				\$ 1,392,184	\$ 3,044,905

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, 2020**

---

**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, 2020. 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. \$117,786 and Greater Hartford Legal Aid, Inc. \$150,142) 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. \$355,941, Greater Hartford Legal Aid, Inc. \$410,235, Connecticut Coalition Against Domestic Violence \$238,588 and Connecticut Alliance to End Sexual Violence \$119,492) for services provided under the Grant.

Independent Auditor's Report on Compliance for Each Major  
Federal Program and Report on Internal Control over Compliance  
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, 2020. 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 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, 2020.

### *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 28, 2020

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

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 deficiency(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?

  X   yes        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, 2020

State Grantor/ Pass Through Grantor/ Program Title	State Grant Program CORE - CT Number	Passed through to Subrecipients	Expenditures
<u>Department of Developmental Services</u>			
Advocacy for CARC v. Thorne class members / STS residents	11000-DDS50148-10020-14000	\$ -	\$ 79,319
		-	79,319
<u>Judicial Branch</u>			
Passed through Connecticut Bar Foundation:			
Court Fees Grants-in-Aid	34001-JUD95000-22009	-	5,165,732
Judicial Branch Grants-in-Aid	11000-JUD95131-22004	-	704,381
Civil Gideon Pilot Program	35659-JUD95313-12060-22003	-	3,500
Educational Support Services	11000-JUD96114-12105-22004	-	4,000
MSW Social Workers	11000-JUD95131-12516-22004	-	26,191
		-	5,903,804
<u>Office of the Chief Public Defender</u>			
Advocacy for children and legal parties in juvenile matters	11000-PDS98926-12076-28223	-	40,000
		-	40,000
Total Expenditures of State Financial Assistance		\$ -	\$ 6,023,123

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, 2020**

---

**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, 2020. 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 and Report on Internal Control over Compliance  
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, 2020. 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, 2020.

*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 28, 2020

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2020

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	\$5,165,732
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.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**