

Connecticut Legal Services, Inc.

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

June 30, 2024 and 2023

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 financial statements of Connecticut Legal Services, Inc. ("CLS"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CLS as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CLS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CLS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CLS' ability to continue as a going concern for a reasonable period of time.

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

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 18, 2024, 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 18, 2024

CONNECTICUT LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Current Assets:		
Cash and cash equivalents	\$ 2,706,069	\$ 3,391,543
Cash in escrow - client funds	1,183	79,150
Short-term investments	2,081,077	1,976,026
Grants and contracts receivable	669,818	595,988
Promises to give	3,388,365	1,935,478
Other receivables	51,836	40,983
Prepaid expenses	93,461	109,331
Total Current Assets	<u>8,991,809</u>	<u>8,128,499</u>
Property and Equipment:		
Software	13,200	13,200
Building and building improvements	1,259,425	1,252,753
Equipment	126,439	126,439
Leasehold improvements	287,322	287,322
	<u>1,686,386</u>	<u>1,679,714</u>
Less: accumulated depreciation	<u>(1,133,376)</u>	<u>(1,082,707)</u>
Net Property and Equipment	<u>553,010</u>	<u>597,007</u>
Other Assets:		
Right-of-use assets	1,872,631	2,226,504
Security deposits	51,075	51,075
Total Other Assets	<u>1,923,706</u>	<u>2,277,579</u>
Total Assets	<u><u>\$ 11,468,525</u></u>	<u><u>\$ 11,003,085</u></u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Liabilities:		
Accounts payable	\$ 421,614	\$ 458,051
Accrued expenses	55,074	95,977
Refundable advances	1,091,696	770,154
Accrued annual leave	465,852	465,068
Short-term lease liability	396,934	367,449
Client trust deposits	1,183	79,145
Total Current Liabilities	<u>2,432,353</u>	<u>2,235,844</u>
Accrued pension liability	4,286,366	4,984,172
Long-term lease liability	1,633,311	2,030,245
Total Long-Term Liabilities	<u>5,919,677</u>	<u>7,014,417</u>
Total Liabilities	<u>8,352,030</u>	<u>9,250,261</u>
Net Assets (Deficiency):		
Without Donor Restrictions:		
Attributable to operations	(535,245)	(500,840)
Attributable to pension liability	697,806	521,199
Net Assets Without Donor Restrictions	<u>162,561</u>	<u>20,359</u>
Net Assets With Donor Restrictions	<u>2,953,934</u>	<u>1,732,465</u>
Total Net Assets (Deficiency)	<u>3,116,495</u>	<u>1,752,824</u>
Total Liabilities and Net Assets	<u><u>\$ 11,468,525</u></u>	<u><u>\$ 11,003,085</u></u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contracts	\$ 3,920,811	\$ -	\$ 3,920,811
Contributions	5,620,836	4,836,085	10,456,921
Donated goods and services	107,099	-	107,099
Interest	105,907	-	105,907
Other	62,326	-	62,326
	<u>9,816,979</u>	<u>4,836,085</u>	<u>14,653,064</u>
Net assets released from restrictions	<u>3,614,616</u>	<u>(3,614,616)</u>	<u>-</u>
Total Revenues and Support	<u>13,431,595</u>	<u>1,221,469</u>	<u>14,653,064</u>
Expenses:			
Program services	11,529,016	-	11,529,016
Management and general	2,168,372	-	2,168,372
Fundraising	<u>333,352</u>	<u>-</u>	<u>333,352</u>
Total Expenses	<u>14,030,740</u>	<u>-</u>	<u>14,030,740</u>
Change in Net Assets:			
Before Nonoperating Activities	(599,145)	1,221,469	622,324
Nonoperating Activities			
Benefit plan changes other than net periodic costs	<u>741,347</u>	<u>-</u>	<u>741,347</u>
Change in Net Assets	142,202	1,221,469	1,363,671
Net Assets - Beginning	<u>20,359</u>	<u>1,732,465</u>	<u>1,752,824</u>
Net Assets - End	<u>\$ 162,561</u>	<u>\$ 2,953,934</u>	<u>\$ 3,116,495</u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contracts	\$ 4,054,385	\$ -	\$ 4,054,385
Contributions	5,236,649	3,090,454	8,327,103
Donated goods and services	109,844	-	109,844
Interest	45,339	-	45,339
Other	80,618	-	80,618
	<u>9,526,835</u>	<u>3,090,454</u>	<u>12,617,289</u>
Net assets released from restrictions	<u>3,375,727</u>	<u>(3,375,727)</u>	<u>-</u>
Total Revenues and Support	<u>12,902,562</u>	<u>(285,273)</u>	<u>12,617,289</u>
Expenses:			
Program services	11,157,575	-	11,157,575
Management and general	1,983,715	-	1,983,715
Fundraising	233,491	-	233,491
Total Expenses	<u>13,374,781</u>	<u>-</u>	<u>13,374,781</u>
Change in Net Assets:			
Before Nonoperating Activities	(472,219)	(285,273)	(757,492)
Nonoperating Activities			
Benefit plan changes other than net periodic costs	897,858	-	897,858
Total Nonoperating Activities	<u>897,858</u>	<u>-</u>	<u>897,858</u>
Change in Net Assets	425,639	(285,273)	140,366
Net Assets (Deficiency) - Beginning	<u>(405,280)</u>	<u>2,017,738</u>	<u>1,612,458</u>
Net Assets - End	<u>\$ 20,359</u>	<u>\$ 1,732,465</u>	<u>\$ 1,752,824</u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 5,575,083	\$ 1,178,919	\$ 189,632	\$ 6,943,634
Pension plan contributions	968,871	204,880	32,955	1,206,706
Other employee benefits	1,700,354	359,560	57,836	2,117,750
Payroll taxes	442,081	93,483	15,037	550,601
Total Personnel Expenses	<u>8,686,389</u>	<u>1,836,842</u>	<u>295,460</u>	<u>10,818,691</u>
Non-Personnel Expenses:				
Contractual services	1,585,232	43,516	4,869	1,633,617
Office expenses	166,696	31,711	7,701	206,108
Information technology	88,578	35,405	818	124,801
Occupancy	588,238	77,344	8,577	674,159
Travel	52,698	4,137	470	57,305
Conferences, conventions, and meetings	38,897	6,336	522	45,755
Insurance	57,531	7,600	845	65,976
Other expenses:				
Periodicals	37,674	4,977	553	43,204
Court costs/legal fees	5,512	12,688	-	18,200
Occupational tax	29,344	-	-	29,344
Memberships	17,800	2,352	261	20,413
Other expenses	62,780	59,412	13,209	135,401
Depreciation and amortization	50,065	543	60	50,668
Donated goods & services	61,582	45,509	7	107,098
Total Non-Personnel Expenses	<u>2,842,627</u>	<u>331,530</u>	<u>37,892</u>	<u>3,212,049</u>
Total Functional Expenses	<u><u>\$ 11,529,016</u></u>	<u><u>\$ 2,168,372</u></u>	<u><u>\$ 333,352</u></u>	<u><u>\$ 14,030,740</u></u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Personnel Expenses:				
Salaries and wages	\$ 5,370,373	\$ 1,137,595	\$ 115,100	\$ 6,623,068
Pension plan contributions	1,032,681	218,751	22,133	1,273,565
Other employee benefits	1,488,492	315,304	31,902	1,835,698
Payroll taxes	432,745	91,668	9,275	533,688
Total Personnel Expenses	<u>8,324,291</u>	<u>1,763,318</u>	<u>178,410</u>	<u>10,266,019</u>
Non-Personnel Expenses:				
Contractual services	1,567,489	20,350	29,711	1,617,550
Office expenses	135,631	33,089	6,070	174,790
Information technology	154,302	31,011	1,865	187,178
Occupancy	557,525	69,646	6,710	633,881
Travel	25,359	1,561	-	26,920
Conferences, conventions, and meetings	36,947	8,750	387	46,084
Insurance	56,844	6,323	703	63,870
Other expenses:				
Periodicals	31,711	3,527	392	35,630
Court costs/legal fees	7,900	10,927	-	18,827
Occupational tax	31,075	-	-	31,075
Memberships	13,804	1,536	171	15,511
Other expenses	56,198	16,911	8,810	81,919
Depreciation and amortization	64,276	1,204	203	65,683
Donated goods & services	94,223	15,562	59	109,844
Total Non-Personnel Expenses	<u>2,833,284</u>	<u>220,397</u>	<u>55,081</u>	<u>3,108,762</u>
Total Functional Expenses	<u>\$ 11,157,575</u>	<u>\$ 1,983,715</u>	<u>\$ 233,491</u>	<u>\$ 13,374,781</u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,363,671	\$ 140,366
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	50,669	65,683
Operating lease expense	(13,576)	171,190
Changes in assets and liabilities:		
Receivables	(1,537,570)	113,941
Prepaid expenses	15,870	(27,107)
Accrued pension liability	(697,806)	(521,199)
Accounts payable and accrued expenses	(77,340)	(116,044)
Refundable advances	321,542	(417,362)
Accrued annual leave	784	22,436
Client trust deposits	(77,962)	78,645
Net Cash Used in Operating Activities	<u>(651,718)</u>	<u>(489,451)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	5,600,000	4,009,000
Purchases of investments	(5,705,051)	(3,987,875)
Disposal of Property, Equipment, Software	(6,672)	(6,210)
Net Cash (Used in) / Provided by Investing Activities	<u>(111,723)</u>	<u>14,915</u>
 Net Decrease in Cash, Cash Equivalents and Restricted Cash	 (763,441)	 (474,536)
Cash, Cash Equivalents and Restricted Cash - Beginning	<u>3,470,693</u>	<u>3,945,229</u>
Cash, Cash Equivalents and Restricted Cash - Ending	\$ <u><u>2,707,252</u></u>	\$ <u><u>3,470,693</u></u>

See Notes to Financial Statements.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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

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 and the total of the same such amount shown in the statements of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,706,069	\$ 3,391,543
Cash in escrow - client funds	<u>1,183</u>	<u>79,150</u>
	<u>\$ 2,707,252</u>	<u>\$ 3,470,693</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. A conditional contribution is a transaction where CLS has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to or has the right of return of any advanced funding if CLS fails to overcome the barrier. Contributions that are subject to donor-imposed conditions are recognized when the condition is met. Unconditional promises are recognized as revenue and receivables in the period in which the promise is received.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All promises to give at June 30, 2024 with the exception of \$80,000 were expected to be collected in one year or less. All promises to give at June 30, 2023 were expected to 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 require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the grantor. CLS has not been informed by any agencies of any funds which are required to be returned. 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 and are recorded as refundable advances on the accompanying Statements of Financial Position.

CONTRACTS WITH CUSTOMERS

CLS recognizes revenue from grants and contracts that are considered exchange transactions when it transfers control over promised services in an amount that reflects the consideration to which CLS is entitled in exchange for those services.

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

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 positions taken by CLS, and has concluded that as of June 30, 2024 and 2023, 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 2021.

PROPERTY AND EQUIPMENT

CLS capitalizes all expenditures for property and equipment in excess of \$5,000. 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.

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 amortized cost which approximates fair value.

CLS' short-term investments at June 30, 2024 and 2023 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 10 for fair value measurement hierarchy definitions.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2024, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified, except for the following:

On June 11, 2024, CLS entered into an agreement with Ballina Properties, LLC to amend its lease obligation for its offices located at 125 Eugene O'Neill Drive in New London CT. The amendment calls for expansion of office space from 3,588 square feet to 5,422 square feet at the specified location. The effective date in the amendment is stated as the date on which construction of the additional space is completed and made available to CLS (the "Completion Date"). A Certificate of Completion was issued by the City of New London on September 4, 2024 and is thereby considered the Completion Date.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

The amended lease will have a term of 10 years, replacing the existing lease on the Completion Date. Base rent for the new ten-year term is as follows:

Year	Monthly Rent	Annual Rent
1	\$ 8,358.92	\$ 100,307
2	\$ 8,584.83	\$ 103,018
3	\$ 8,584.83	\$ 103,018
4	\$ 8,810.75	\$ 105,729
5	\$ 8,810.75	\$ 105,729
6	\$ 9,036.67	\$ 108,440
7	\$ 9,036.67	\$ 108,440
8	\$ 9,262.58	\$ 111,151
9	\$ 9,262.58	\$ 111,151
10	\$ 9,488.50	\$ 113,862

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:

	2024	2023
Cash and cash equivalents	\$ 2,706,069	\$ 3,391,543
Short-term investments	2,081,077	1,976,026
Grants receivable and Promises to give	3,978,183	2,531,466
Other receivables	51,836	40,983
	<u>8,817,165</u>	<u>7,940,018</u>
 Flexible benefits cash held for employees	 (11,158)	 (15,940)
Net assets with donor restrictions	<u>(2,953,934)</u>	<u>(1,732,465)</u>
	<u><u>\$ 5,852,073</u></u>	<u><u>\$ 6,191,613</u></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. 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 \$2,250,000. 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.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 1/12th 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 55% Fixed Income, 17.5% U.S. Large Cap Equity, 7.5% U.S. Mid Cap Equity, 15% International Equity, and 5% U.S. Small Cap Equity.

As of June 30, 2024 and 2023, Plan investments were as follows:

	<u>2024</u>	<u>2023</u>
Mutual funds	\$ 10,490,916	\$ 11,302,690
Unit Investment Trusts	903,016	-
Interest-bearing cash	<u>186,166</u>	<u>226,948</u>
	<u>\$ 11,580,098</u>	<u>\$ 11,529,638</u>

The Plan's mutual fund and exchange traded fund assets at June 30, 2024 and 2023 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, 2024 and 2023, is classified as Level 2.

Refer to Note 10 for fair value measurement hierarchy definitions.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, 2024 and 2023 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, 2024 and 2023 and (b) a discount rate of 5.40% and 5.16% for the years ended June 30, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
Pension benefit obligation:		
Projected benefit obligation	\$ (15,866,465)	\$ (16,513,810)
Fair value of plan assets	<u>11,580,098</u>	<u>11,529,638</u>
Underfunded benefit obligation/accrued pension cost	<u>\$ (4,286,367)</u>	<u>\$ (4,984,172)</u>

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

	<u>2024</u>	<u>2023</u>
Accrued pension cost - beginning	\$ (4,984,172)	\$ (5,505,371)
Net periodic pension cost	(720,374)	(797,627)
Contribution	676,833	420,968
Asset gain / (loss) deferred	<u>741,347</u>	<u>897,858</u>
Accrued pension cost - end	<u>\$ (4,286,366)</u>	<u>\$ (4,984,172)</u>

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

	<u>2024</u>	<u>2023</u>
Service cost	\$ 125,000	\$ 107,000
Interest cost	816,707	751,202
Actual return on plan assets	(689,807)	(739,463)
Asset gain or loss deferred	(50,034)	(17,384)
Amortization of unrecognized gain or loss	<u>518,508</u>	<u>696,272</u>
Accrued pension cost - end	<u>\$ 720,374</u>	<u>\$ 797,627</u>

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

As of June 30, 2024, the following projected benefit payments are:

2024-2025	\$ 1,419,000
2025-2026	1,435,000
2026-2027	1,436,000
2027-2028	1,418,000
2028-2029	1,397,000
2029-2034	<u>6,415,000</u>
Accrued pension cost - end	<u>\$ 13,520,000</u>

Pension benefits and expenses for the years ended June 30, 2024 and 2023 were \$1,316,179 and \$1,442,301, respectively. CLS expects to contribute approximately \$595,438 to the Pension Plan in 2024. No plan assets are expected to be returned to CLS in 2024. Amounts not yet recognized as components of net periodic benefit cost consist of net unrecognized losses of \$4,249,225 and \$4,990,572 at June 30, 2024 and 2023, respectively. The estimated net loss that will be amortized from changes in net assets without donor restriction into net periodic benefit cost in the fiscal year ended June 30, 2025 is \$427,380.

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, 2024 and 2023 were \$486,332 and \$475,938, respectively.

NOTE 5 — COMMITMENTS

LEASES

CLS determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. CLS recognizes a lease liability and a right-of-use asset at the transition date or commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments are specified in the lease. The implicit rates of our leases are not readily determinable and accordingly, CLS uses its incremental borrowing rate at the transition date or commencement date for all leases. CLS' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the present value of the remaining lease payments. CLS remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

CONNECTICUT LEGAL SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

CLS has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at the transition date or commencement date. CLS recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term. CLS made an accounting policy election by class of underlying asset, for office equipment, to not recognize ROU assets and lease liabilities for each lease with a present value below CLS' capitalization threshold of \$5,000. CLS recognizes lease cost associated with office equipment meeting this criterion on a straight-line basis over the lease term.

CLS' obligations as a lessee for office space include initial non-cancelable terms in excess of one year. These leases generally contain renewal options for a period of up to five years. Because CLS is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. CLS' leases do not include termination options for either party to the lease. CLS has elected and applied the practical expedient available to lessees to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. CLS' office space leases require it to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are included in lease payments used to determine lease liability.

The components of lease expense for the years ended June 30, 2024 are as follows:

Lease Expense	2024	2023
Operating lease expense	\$ 502,763	\$ 464,946
Short-term lease expense	7,200	7,200
Office equipment lease expense	13,512	17,104
Total	<u>\$ 523,475</u>	<u>\$ 489,250</u>

Operating lease expense and Short-Term lease expenses are reflected in Occupancy on the Statement of Functional Expenses. Office equipment lease expense is reflected in Office Expenses on the Statement of Functional Expenses.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Other Information	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 488,717	\$ 490,523
ROU assets obtained in exchange for new operating lease liabilities	-	2,751,920
Weighted-average remaining lease term in years for operating leases	4.85	6.00
Weighted-average discount rate for operating leases	5.58%	6.00%
<u>Maturity Analysis</u>	<u>Operating Leases</u>	
2025-06	\$ 497,544	
2026-06	505,573	
2027-06	514,598	
2028-06	502,389	
2029-06	93,020	
Thereafter	213,436	
Total undiscounted cash flows	2,326,560	
Less: present value discount	(296,315)	
Total lease liabilities	2,030,245	
Less: short-term lease liability	396,934	
Long-term lease liability	<u>\$ 1,633,311</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:

	<u>2024</u>	<u>2023</u>
Area Agencies on Aging (Title III)	\$ 145,051	\$ 154,387
Connecticut Bar Foundation - CFGIA	5,438,014	5,117,584
Connecticut Bar Foundation - IOLTA	2,036,130	1,463,491
Connecticut Bar Foundation - JBGIA	860,683	935,212
Connecticut Bar Foundation - RTC Evictions	1,060,166	1,271,843
Connecticut Bar Foundation - Temporary Restraining Order Grant Program	279,618	265,123
Connecticut Dept. of Developmental Disabilities	110,550	74,377
Connecticut Department of Social Services	595,976	566,369
Connecticut Office of Victim Services	1,917,989	1,910,570
Jeffrey P Ossen Family Foundation	-	94,667
Program fees and Campaign donations	363,976	363,650
	<u>\$ 12,808,153</u>	<u>\$ 12,217,273</u>

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, 2024 and 2023 was \$1,295,202 and \$1,365,959, 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, 2024 and 2023 are \$2,953,934 and \$1,732,465, 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). 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. Right to Counsel Eviction Defense funding, sourced from Coronavirus State and Local Fiscal Recovery Funds made available by the American Rescue Plan Act, were a significant source of revenue but did not exceed 10% of revenues in the fiscal year. Refer to the table in Note 6 for funding amounts from each of these sources for the years ended June 30, 2024 and 2023.

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 expiring on August 24, 2025. 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, 2024 and 2023, 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 63% of CLS's employees who are members of the union and represents approximately 58% of total compensation. The current agreement with CLSSA expires on December 31, 2024.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 10 — 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 agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 — IN-KIND CONTRIBUTIONS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities as donated goods and services included the following:

	2024	2023
Legal research publications	\$ 5,042	\$ 1,881
Storage	-	1,693
Supplies	414	6,862
Volunteer program services	56,196	89,827
Volunteer administrative services	45,447	9,581
	<u>\$ 107,099</u>	<u>\$ 109,844</u>

Contributed legal research publications are provided by the author of Connecticut Elder Law, volume 20 Edition and the Elder Law Answer Book, 2023-2024 Edition. Contributed publications are recognized at retail rates at the time the books were received and are used in the practice of law within CLS' elder law unit.

Contributed storage is valued using estimated retail prices provided by regional storage operators for similar sized storage units. Contributed storage was used to store business personal property during the renovation of office space in CLS' Middletown office.

Contributed volunteer program services include attorney, paralegal, and clerical services performed in various service offices for the benefit of clients and are valued based on comparable wages.

Contributed volunteer administrative services include attorney services and other professional consulting services performed for the benefit of the general administration of the agency. The value of these services is based on consulting rates provided by the respective service providers.

In addition to the in-kind contributions described above, 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.

CONNECTICUT LEGAL SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 — CONDITIONAL GRANTS

For the years ended June 30, 2024 and 2023 CLS received multiple conditional grants from Federal and State government agencies. Of those grants that were active in fiscal year 2023-2024, the maximum amount awarded was \$14,569,296 to assist CLS in the completion of various parts of their mission as defined in the grants. As of June 30, 2024, \$8,433,860 of the conditional contribution was recorded as grant revenues upon meeting certain conditions of the grant requirements. Since the grants represent a conditional contribution, the remaining \$6,135,436 has not been recorded as contribution revenue until donor conditions are met. CLS may or may not meet conditions to fully recognize revenue of one or more contract awards prior to contract maturity.

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF REVENUES AND EXPENDITURES OF THE CONNECTICUT BAR FOUNDATION PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2024

	Interest on Lawyers Trust Account	Court Fees Grants-in-Aid	Judicial Branch Grants-in-Aid	Eviction Defense Grant Program	Temporary Restraining Order Grant Program	Cy Pres Award	Total
Revenues and Support	<u>\$ 2,386,589</u>	<u>\$ 5,438,014</u>	<u>\$ 860,683</u>	<u>\$ 1,060,166</u>	<u>\$ 280,327</u>	<u>\$ 24,163</u>	<u>\$ 10,049,942</u>
Expenditures							
Salaries and wages	1,068,657	3,250,383	473,720	660,056	192,803	5,872	5,651,491
Employee benefits	519,455	1,617,421	221,691	304,755	70,423	1,260	2,735,005
Payroll Taxes	88,003	267,489	37,692	50,369	14,700	445	458,698
Equipment rental & maintenance	20,014	46,633	6,022	-	-	-	72,669
Insurance	15,086	41,049	5,369	-	-	-	61,504
Library, printing & publications	29,454	74,379	9,182	-	-	-	113,015
Membership dues & fees	4,569	12,961	1,718	-	-	-	19,248
Miscellaneous	39,014	98,573	11,243	-	-	-	148,830
Occupancy	132,057	388,602	55,518	44,986	-	-	621,163
Postage & shipping	2,762	4,525	423	-	-	-	7,710
Professional fees	54,637	139,105	17,445	-	-	-	211,187
Supplies	20,008	54,284	6,567	-	-	-	80,859
Telephone	16,994	46,369	5,946	-	-	-	69,309
Travel & meetings	25,420	61,715	8,147	-	1,693	-	96,975
Total Expenditures	<u>2,036,130</u>	<u>6,103,488</u>	<u>860,683</u>	<u>1,060,166</u>	<u>279,619</u>	<u>7,577</u>	<u>10,347,663</u>
Revenues and Support Over Expenditures	350,459	(665,474)	-	-	708	16,586	(297,721)
Other Changes in Net Assets							
Acquisition of property & equipment	-	-	-	-	-	-	-
Uncollectible Income	-	-	-	-	-	-	-
Change in Net Assets	350,459	(665,474)	-	-	708	16,586	(297,721)
Net Assets - Beginning	<u>(86,123)</u>	<u>1,453,815</u>	<u>353,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,721,331</u>
Net Assets - End	<u>\$ 264,336</u>	<u>\$ 788,341</u>	<u>\$ 353,639</u>	<u>\$ -</u>	<u>\$ 708</u>	<u>\$ 16,586</u>	<u>\$ 1,423,610</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, 2024, 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 18, 2024.

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 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 or significant deficiencies 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.

CohnReznick LLP

Hartford, Connecticut
December 18, 2024

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number (ALN)	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	4,189,371	\$ 278,069	\$ 595,976
				<u>278,069</u>	<u>595,976</u>
Aging Cluster:					
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	23-B12-19	60,000	-	6,777
Southwestern Connecticut Area Agency on Aging	93.044	24-B12-17	45,825	-	40,625
Western Connecticut Area Agency on Aging	93.044	2023-B-17	41,000	-	6,672
Western Connecticut Area Agency on Aging	93.044	2024-B-17	41,500	-	41,500
Senior Resources Agency on Aging	93.044	E-24-1	49,477	-	49,477
Total Aging Cluster				<u>-</u>	<u>145,051</u>
Total Department of Health and Human Services				<u>278,069</u>	<u>741,027</u>
Department of Justice:					
Passed Through the State of Connecticut:					
Office of Victim Services					
Victims of Crime Act - Victim Assistance Grant	16.575	15POVC-22-GG-00715 / 02-2202-19	946,331	501,814	946,283
				<u>501,814</u>	<u>946,283</u>
Total Department of Justice				<u>501,814</u>	<u>946,283</u>
U.S. Department of the Treasury					
Passed Through the State of Connecticut:					
Connecticut Bar Foundation					
Coronavirus State and Local Fiscal Recovery Funds					
Eviction Defense Services Grant	21.027	JUD RFP 05-2100	-	-	1,060,166
Passed Through the State of Connecticut:					
Office of Victim Services					
Coronavirus State and Local Fiscal Recovery Funds					
Services for Victims of Crime	21.027	SLFRP0128	971,706	515,319	971,706
				<u>515,319</u>	<u>2,031,872</u>
Total U.S. Department of the Treasury				<u>515,319</u>	<u>2,031,872</u>
Total Expenditures of Federal Awards				<u>\$ 1,295,202</u>	<u>\$ 3,719,182</u>

See Note to Schedule of Expenditures of Federal Awards.

CONNECTICUT LEGAL SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

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, 2024. 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 (FALN #93.667), Victims of Crime Act - Victim Assistance Grant award (FALN #16.575), and Services for Victims of Crime Grant award (FALN #21.027) are payments to non-profit delegate agencies as follows:

	Federal Assistance Listing Number		
	93.667	16.575	21.027
New Haven Legal Assistance Association, Inc.	\$ 122,220	\$ 147,844	\$ 151,808
Greater Hartford Legal Aid, Inc.	155,849	181,904	186,782
Connecticut Coalition Against Domestic Violence	-	119,108	122,350
Connecticut Alliance to Eng Sexual Violence	-	52,958	54,379
	<u>\$ 278,069</u>	<u>\$ 501,814</u>	<u>\$ 515,319</u>

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 identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility

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

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
December 18, 2024

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

I. Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared 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 federal 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 federal 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)

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

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, 2024

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	\$ -	\$ 110,550
		-	110,550
<u>Judicial Branch</u>			
Passed through Connecticut Bar Foundation:			
Court Fees Grants-in-Aid	11000-JUD95162-40001-089	-	6,103,487
Civil Legal Representation			
Judicial Branch Grants-in-Aid	11000-JUD95162-12516-090	-	860,683
Temporary Restraining Order Grant Program	11000-JUD95162-12516-090	-	279,618
MSW Social Workers	11000-JUD95131-12516-22004	-	26,191
		-	7,269,979
<u>Office of the Chief Public Defender</u>			
Advocacy for children and legal parties in juvenile matters	11000-PDS98926-12076-28223	-	54,888
		-	54,888
Total Expenditures of State Financial Assistance		\$ -	\$ 7,435,417

See Note to Schedule of Expenditures of State Financial Assistance.

CONNECTICUT LEGAL SERVICES, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

JUNE 30, 2024

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, 2024. 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 identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of State Single Audit Act (C.G.S. Sections 4-230 to 4-236) (State Single Audit Act). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Connecticut Legal Services, Inc.'s compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
December 18, 2024

CONNECTICUT LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2024

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:

State Grantor and Program	State CORE-CT Number	Expenditures
Judicial Branch		
Passed through Connecticut Bar Foundation:		
Court Fees Grants-in-Aid	11000-JUD95162-40001-089	\$ 6,103,487
Judicial Branch Grants-in-Aid	11000-JUD95162-12516-090	860,683
Temporary Restraining Order Grant Program	11000-JUD95162-12516-090	279,618
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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