

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018 AND 2017

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

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Independent Auditors' Report

To the Board of Directors
New Haven Legal Assistance Association, Inc.
New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of New Haven Legal Assistance Association, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 auditors' 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 auditors consider 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 the Organization as of December 31, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note 1, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities by program, schedule of income, expenses and budget comparisons - Grant #025-18-C, schedule of income, expenses and budget comparisons - Grant #025-19-C, State of Connecticut Department of Social Services schedule of comparative analysis of program costs and the schedule of 2018 expenses and related awards - Connecticut Bar Foundation programs are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated June 25, 2019 on our consideration of New Haven Legal Assistance Association, Inc.'s internal control over financial reporting and 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 New Haven Legal Assistance Association, Inc.'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 New Haven Legal Assistance Association, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
June 25, 2019

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 1,459,553	\$ 1,455,198
Client trust deposits	4,668	4,997
Investments managed by others	1,018,127	1,078,982
Grants and contracts receivable	234,407	106,597
Contribution receivable	526,863	515,021
Other assets	75,002	91,174
Total current assets	<u>3,318,620</u>	<u>3,251,969</u>
Property and Equipment, Net of Accumulated Depreciation	<u>28,234</u>	<u>24,963</u>
Total Assets	<u>\$ 3,346,854</u>	<u>\$ 3,276,932</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 34,688	\$ 31,650
Client trust deposits	4,668	4,997
Deferred revenue	127,264	130,502
Accrued annual leave	188,462	177,280
Total liabilities	<u>355,082</u>	<u>344,429</u>
Net Assets		
Without donor restrictions	2,245,381	2,240,265
With donor restrictions	746,391	692,238
Total net assets	<u>2,991,772</u>	<u>2,932,503</u>
Total Liabilities and Net Assets	<u>\$ 3,346,854</u>	<u>\$ 3,276,932</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions		
Support and revenues:		
Grants and contracts	\$ 3,344,799	\$ 3,410,326
Contributions	986,142	729,923
Donated goods and services	64,284	79,655
Court awards	60,500	39,950
Release from restriction	266,152	-
Total support and revenues	<u>4,721,877</u>	<u>4,259,854</u>
Expenses:		
Program services	4,036,514	3,738,136
Management and general	543,627	525,539
Fundraising	79,696	77,632
Total expenses	<u>4,659,837</u>	<u>4,341,307</u>
Change in Net Assets Without Donor Restrictions before Other Changes in Net Assets Without Donor Restrictions	<u>62,040</u>	<u>(81,453)</u>
Other Changes in Net Assets Without Donor Restrictions		
Change in value of investments managed by others	(60,855)	165,609
Investment income	3,931	2,512
	<u>(56,924)</u>	<u>168,121</u>
Change in net assets without donor restrictions	<u>5,116</u>	<u>86,668</u>
Changes in Net Assets With Donor Restrictions		
Contributions	320,305	692,238
Release from restriction	(266,152)	-
Change in net assets with donor restrictions	<u>54,153</u>	<u>692,238</u>
Change in Net Assets	59,269	778,906
Net Assets - Beginning of Year	<u>2,932,503</u>	<u>2,153,597</u>
Net Assets - End of Year	<u>\$ 2,991,772</u>	<u>\$ 2,932,503</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 59,269	\$ 778,906
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,307	4,976
Change in investments managed by others	60,855	(165,609)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(127,810)	4,136
Contribution receivable	(11,842)	(515,021)
Other assets	16,172	9,550
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,038	(5,633)
Deferred revenue	(3,238)	25,684
Accrued annual leave	11,182	28,754
Net cash provided by operating activities	<u>13,933</u>	<u>165,743</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	<u>(9,578)</u>	<u>(13,421)</u>
Net cash used in investing activities	<u>(9,578)</u>	<u>(13,421)</u>
Net Increase in Cash	4,355	152,322
Cash - Beginning of Year	<u>1,455,198</u>	<u>1,302,876</u>
Cash - End of Year	<u>\$ 1,459,553</u>	<u>\$ 1,455,198</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel Expenses				
Salaries	\$ 2,468,685	\$ 348,648	\$ 42,963	\$ 2,860,296
Employee benefits	940,862	133,228	16,417	1,090,507
Total personnel expenses	<u>3,409,547</u>	<u>481,876</u>	<u>59,380</u>	<u>3,950,803</u>
Nonpersonnel Expenses				
Occupancy	187,362	28,260	3,482	219,104
Contractual services	143,851	8,413	1,037	153,301
Office expenses	59,681	8,766	13,786	82,233
Lobbying	65,246	-	-	65,246
Donated services	54,971	8,291	1,022	64,284
Technical literature	33,358	-	-	33,358
Travel	27,540	3,742	461	31,743
Membership and dues	11,646	1,757	216	13,619
Other expenses	10,005	1,393	172	11,570
Occupation tax	11,300	-	-	11,300
Legal costs	8,409	-	-	8,409
Depreciation	5,393	813	101	6,307
Work study	6,111	-	-	6,111
Training and education	2,094	316	39	2,449
Total nonpersonnel expenses	<u>626,967</u>	<u>61,751</u>	<u>20,316</u>	<u>709,034</u>
Total Functional Expenses	<u>\$ 4,036,514</u>	<u>\$ 543,627</u>	<u>\$ 79,696</u>	<u>\$ 4,659,837</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel Expenses				
Salaries	\$ 2,244,117	\$ 327,896	\$ 40,892	\$ 2,612,905
Employee benefits	852,362	124,453	15,520	992,335
Total personnel expenses	<u>3,096,479</u>	<u>452,349</u>	<u>56,412</u>	<u>3,605,240</u>
Nonpersonnel Expenses				
Occupancy	201,579	31,594	3,940	237,113
Contractual services	108,839	14,539	1,813	125,191
Office expenses	57,036	8,448	13,146	78,630
Lobbying	88,163	-	-	88,163
Donated services	67,718	10,613	1,324	79,655
Technical literature	43,456	-	-	43,456
Travel	25,156	3,759	469	29,384
Membership and dues	12,079	1,893	236	14,208
Other expenses	9,138	1,389	173	10,700
Occupation tax	9,605	-	-	9,605
Legal costs	7,996	-	-	7,996
Depreciation	4,230	663	83	4,976
Work study	4,802	-	-	4,802
Training and education	1,860	292	36	2,188
Total nonpersonnel expenses	<u>641,657</u>	<u>73,190</u>	<u>21,220</u>	<u>736,067</u>
Total Functional Expenses	<u>\$ 3,738,136</u>	<u>\$ 525,539</u>	<u>\$ 77,632</u>	<u>\$ 4,341,307</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

New Haven Legal Assistance Association, Inc. (the Organization), a nonprofit, nonstock corporation, was formed in 1964 for the purpose of providing free legal assistance to persons financially unable to afford such assistance in the Greater New Haven, Connecticut, area.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended December 31, 2018. The amendments have been retrospectively applied with the exception of disclosures on liquidity and availability of resources for the year ended December 31, 2017.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. As part of the budget process each year, the Board of Directors designates a portion of the net assets without donor restrictions for the purpose of establishing an operating reserve equal to three months of average operating cost. The Board retains the discretion to permit the use of some or all of the operating reserve if necessary to ensure continued operations of the Organization. Board-designated net assets as of December 31, 2018 and 2017 were \$1,173,424 and \$1,056,643, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted due to time or purpose.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Cash

The Organization maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Organization's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is 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. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Organization's gains and losses on investments bought and sold as well as held during the year. These amounts are reported in the statements of activities as increases or decreases in net assets without donor restrictions.

Investments Managed by Others

The Organization maintains a fund held by The Community Foundation for Greater New Haven (the Foundation) that was established with the Organization's funds without donor restrictions. The fund agreement provides that the Organization receive investment income from the fund, to be determined by the Foundation in its sole discretion in accordance with its spending policy. The Organization has the ability to access the principal, subject to a 60-day notice period. The fund is carried at fair value as discussed in Note 2. Changes in the carrying amount of the fund is recognized as increases or decreases in net assets without donor restrictions.

Property and Equipment

Equipment acquisitions and substantial improvements thereon that individually exceed \$1,000 are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years for most assets. Repairs and maintenance are charged to expense as incurred.

Grants and Contracts

Governmental grants and contracts are generally considered to be exchange transactions in which the grantor requires the performance of specified activities. Entitlement to cost-reimbursement grants and contracts is based on the expenditure of funds in accordance with grant and contract restrictions, and, therefore, revenue is recognized to the extent of grant and contract expenditures. Grant and contract receipts in excess of revenue recognized are presented as deferred grant revenue.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions that are received and released in the same period are presented with net assets

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

without donor restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

The Organization recognizes donated services at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization recognized \$64,284 and \$79,655 as both support and expenditures for the fair value of specialized services provided via telephone and legal, research and intake services during the years ended December 31, 2018 and 2017, respectively.

In addition, a number of private attorneys provide legal services to eligible persons referred to them by the Organization. However, because the Organization has no control over and does not benefit from these services after the referral has been made, the value of this contributed time is not recorded in the financial statements.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories or expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied and determined by management. The expenses that are allocated based upon time and effort include salaries and employee benefits, occupancy, contractual services, office expense, donated services, travel, membership and dues, other expenses, depreciation and training and education.

Income Taxes

The Organization is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through June 25, 2019 which represents the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments Managed by Others

The investments managed by others are valued at the quoted fair value of the underlying assets held at year end.

There have been no changes in the methodologies used at December 31, 2018 and 2017.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair Value

The Organization's assets that are measured at fair value are the investments managed by others and are considered to be Level 2 within the fair value hierarchy. The Organization's assets at fair value as of December 31, 2018 and 2017 were \$1,018,127 and \$1,078,982, respectively.

There were no transfers between levels of investments during the years ended December 31, 2018 and 2017.

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2018 and 2017 are reported as change in the value of investments managed by others on the statements of activities.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Receivables from grants and contracts as of December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Connecticut Bar Foundation	\$ 166,204	\$ 59,413
Connecticut Legal Services, Inc.	60,558	42,577
Agency on Aging of South Central Connecticut	3,186	3,181
The Community Foundation for Greater New Haven	2,459	1,228
Miscellaneous	2,000	-
State of Connecticut - Public Defender's Office	-	198
	<u> </u>	<u> </u>
Grants and Contracts Receivable	\$ <u>234,407</u>	\$ <u>106,597</u>

For the years ended December 31, 2018 and 2017, the Organization received approximately 60% of its revenue through grants and contracts from a single funder, Connecticut Bar Foundation (CBF). The grants and contracts were awarded in order to provide funds for continuing operations and have no restrictions on use.

NOTE 4 - CONTRIBUTION RECEIVABLE

Contribution receivable as of December 31, 2018 and 2017 consists of outstanding pledges from one donor in the amount of \$526,863 and \$515,021, respectively. The remaining outstanding balance as of December 31, 2018 will be collected during the period of January 1, 2019 through October 31, 2019.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 217,317	\$ 208,344
Leasehold improvements	116,237	116,237
Other equipment	13,246	13,246
	<u>346,800</u>	<u>337,827</u>
Less accumulated depreciation	<u>318,566</u>	<u>312,864</u>
Net Property and Equipment	\$ <u>28,234</u>	\$ <u>24,963</u>

Depreciation expense was \$6,307 and \$4,976 for the years ended December 31, 2018 and 2017, respectively.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization has adopted a defined contribution money purchase pension plan covering all individuals employed during the plan year, which is a calendar year. For the years ended December 31, 2018 and 2017, the Organization contributed 6% of participants' compensation. In addition, for those employees who contributed 1% of their wages to the Organization's tax sheltered annuity plan, a matching contribution of 1% of the participant's wages was contributed to the money purchase plan. Employee contributions are not permitted under this plan and participants are 100% vested in the plan immediately upon entrance. Pension expense for the years ended December 31, 2018 and 2017 was \$201,700 and \$183,772, respectively.

The Organization also maintains a tax sheltered annuity plan covering all individuals employed during the plan year, which is a calendar year. This plan allows participating employees to contribute 1% of their wages and does not allow any contributions by the employer.

NOTE 7 - OPERATING LEASES

The Organization leases office space in New Haven, Connecticut, under an operating lease that expires December 2029. The lease requires escalating monthly payments ranging from \$19,118 to \$24,196 over the term of the lease. The Organization recognizes rent expensed on a straight-line basis over the respective lease term of the underlying agreement. Rent expense under this method was \$146,151 for the years ended December 31, 2018 and 2017.

Future minimum lease payments under the lease extending beyond one year from the statement of financial position date are as follows:

Year Ending December 31

2019	\$	229,420
2020		229,420
2021		236,273
2022		243,331
2023		250,601
Thereafter		<u>1,369,919</u>
Total Minimum Lease Payments	\$	<u>2,558,964</u>

NOTE 8 - LINE OF CREDIT

The Organization has an available line of credit of \$150,000 that expires March 25, 2019 and bears interest at the bank's prime rate plus 2%. No amounts were outstanding under the line of credit as of December 31, 2018 and 2017. Subsequent to year end, the line of credit was extended to June 25, 2021.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash	\$ 1,459,553
Investments managed by others	1,018,127
Grants and contracts receivable	234,407
Other assets	<u>42,814</u>
Total financial assets available within one year	2,754,901
Less amounts unavailable without Board's approval:	
Board-designated operating reserve	<u>(1,173,424)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 1,581,477</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments. The Organization has a line of credit in the amount of \$150,000 that it could draw upon in the event of an unanticipated liquidity need. As part of the budget process each year, the Board of Directors designates a portion of the net assets without donor restrictions for the purpose of establishing an operating reserve equal to three months of average operating cost. The amount designated for the year ended December 31, 2018 was \$1,173,424. The Board retains the discretion to permit the use of some or all of the operating reserve if necessary to ensure continued operations of the Organization. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 represents contributions from one donor, which have both time and purpose restrictions. As of December 31, 2018 and 2017, the balance of these contribution due in future periods was \$526,863 and \$515,021, respectively.

During the year ended December 31, 2018, net assets with donor restrictions in the amount of \$266,152 were released from restrictions by incurring expenses satisfying the purpose and time restrictions.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal- and state-assisted programs. The use of the grants in programs is subject to future review by the grantors. Such reviews may result in grantors disallowing costs that would result in the Organization having liabilities to the grantors. The Organization is not aware of any grantor liabilities.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - PRINCIPAL FUNDING SOURCES

The Organization is funded through a variety of grants, contracts and contributions from the State of Connecticut, nonprofit organizations and others. A summary of revenues without donor restrictions related to contributions, grants and contracts for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Grants and contracts:		
Connecticut Bar Foundation	\$ 2,255,475	\$ 2,315,210
Yale Law School	240,512	219,283
Office of Victim Services (through Connecticut Legal Services, Inc.)	212,937	233,072
State of CT Department of Social Services (through Connecticut Legal Services, Inc.)	117,783	122,189
Technology Project	117,753	102,755
State Public Defender	111,575	158,679
Others	97,855	113,052
Immigrant Justice Corps Fellow	93,333	23,521
Area Agency on Aging (Title III)	67,085	48,085
Skadden Fellowship Foundation	30,491	60,981
TIG (through Statewide Legal Services, Inc.)	-	13,499
Total grants and contracts	<u>3,344,799</u>	<u>3,410,326</u>
Contributions:		
Connecticut Bar Foundation	709,844	1,005,721
Individuals and others	522,288	352,076
Community Foundation for Greater New Haven	63,704	59,562
Equal Justice America	6,111	4,802
F. Deluca Foundation	2,500	-
The Children's Community Foundation of Connecticut	2,000	-
Total contributions	<u>1,306,447</u>	<u>1,422,161</u>
	<u>\$ 4,651,246</u>	<u>\$ 4,832,487</u>

Connecticut Bar Foundation

The Organization receives funds from the CBF's IOLTA (Interest on Lawyers Trust Accounts) Program. The IOLTA Program was established to provide funding for nonprofit legal service providers to assist them in the delivery of legal services to the poor. The IOLTA funding periods for these awards, which are used for general operating assistance, are calendar years. During the years ended December 31, 2018 and 2017, the Organization received \$361,363 and \$306,914, respectively, of IOLTA funding.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

The Organization also received funding from the State of Connecticut Judicial Branch through CBF under the Court Fees Grants-in-Aid (CFGIA) and Judicial Branch Grants-in-Aid (JBGIA) programs. Both of these funds also supported the Organization's general operations. For the years ended December 31, 2018 and 2017, the Organization received \$221,223 and \$231,946, respectively, from the JBGIA program and \$2,034,252 and \$2,083,264, respectively, from the CFGIA program.

As a recipient of funding under these CBF programs, the Organization is required to 1) reimburse the CBF for attorney fees received in proportion to the percentage of these funds used for litigation against the State or any of its officers or agencies, and 2) not use any of these funds for either governmental or agency lobbying or occupational taxes. For the years ended December 31, 2018 and 2017, the Organization did not use these program funds for any activity of the type in 1) above, nor did it charge the program for any costs of the type in 2) above. Individuals assisted under this program were eligible to receive services and the Organization complied with the CBF's application assurances, guidelines and information.

Connecticut Legal Services, Inc.

The Organization has entered into agreements with Connecticut Legal Services, Inc. (CLS) for the provision of various types of legal services to income eligible persons. The funding for these programs is provided by the State of Connecticut Department of Social Services through its contracts with CLS, and consists of federal and state monies. Funds for these programs are reimbursed to the Organization after they have been expended.

For the years ended December 31, 2018 and 2017, the Organization recognized revenue under the following programs:

	<u>2018</u>	<u>2017</u>
Victims of Crime Act (federal)	\$ 212,937	\$ 233,072
Social Service Block Grant (federal and state)	<u>117,783</u>	<u>122,189</u>
	<u>\$ 330,720</u>	<u>\$ 355,261</u>

The Organization has entered into an agreement with CLS for the Federal VOCA Victim Assistance Grant to provide civil legal representations to victims of crime. Under the terms of the agreement, the Organization is to provide matching funds from other resources in order to receive this revenue. For each of the years ended December 31, 2018 and 2017, the Organization provided matching funds of \$56,640.

The Organization is prohibited from using funds received under these programs in conducting any litigation against the State of Connecticut, its officials, agencies or employees. Conducting litigation is understood to mean those activities involved in investigating, initiating or maintaining lawsuits that were actually filed. This restriction was complied with for the years ended December 31, 2018 and 2017.

Office of the State Public Defender

The Organization has entered into contracts to provide legal representation in child protection matters for criminal defendants whom the Office of the State Public Defender is unable to represent. For the years ended December 31, 2018 and 2017, the Organization recognized revenues of \$111,575 and \$158,679, respectively, under these contracts.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

South Central Connecticut Agency on Aging

The Organization provides legal representation for various elder law issues under agreements with the South Central Connecticut Agency for Aging that are funded by the federal Title III program. Total revenue recognized under this program for the years ended December 31, 2018 and 2017 was \$67,085 and \$48,085, respectively. Under the terms of these agreements, the Organization is to provide matching and in-kind funds from other resources in order to receive this revenue. For the years ended December 31, 2018 and 2017, the Organization provided matching funds of \$22,362 and \$16,028, respectively.



Supplementary Information

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

SCHEDULE OF ACTIVITIES BY PROGRAM FOR THE YEAR ENDED DECEMBER 31, 2018

	State of CT Department of Social Services	Agency on Aging Title III Grant	State Public Defender	Victims of Crime Act	Connecticut Bar Foundation	General	Total
Changes in Net Assets Without Donor Restrictions							
Support and revenues:							
Grants and contracts	\$ 117,783	\$ 67,085	\$ 80,727	\$ 153,841	\$ 2,255,475	\$ 669,888	\$ 3,344,799
Contributions	-	-	30,848	59,096	389,539	506,659	986,142
Donated goods and services	-	-	-	-	-	64,284	64,284
Court awards	-	-	-	-	-	60,500	60,500
Release from restriction	-	-	-	-	266,152	-	266,152
Total support and revenues	<u>117,783</u>	<u>67,085</u>	<u>111,575</u>	<u>212,937</u>	<u>2,911,166</u>	<u>1,301,331</u>	<u>4,721,877</u>
Expenses:							
Personnel expenses:							
Salaries	76,923	42,486	80,727	153,841	1,840,441	665,878	2,860,296
Employee benefits	22,727	16,513	30,848	59,096	690,808	270,515	1,090,507
Total personnel expenses	<u>99,650</u>	<u>58,999</u>	<u>111,575</u>	<u>212,937</u>	<u>2,531,249</u>	<u>936,393</u>	<u>3,950,803</u>
Nonpersonnel expenses:							
Occupancy	11,082	3,727	-	-	171,314	32,981	219,104
Contractual services	656	1,493	-	-	107,058	44,094	153,301
Office expenses	1,923	807	-	-	31,306	48,197	82,233
Lobbying	-	-	-	-	-	65,246	65,246
Donated services	-	-	-	-	-	64,284	64,284
Technical literature	1,297	728	-	-	24,498	6,835	33,358
Travel	1,143	535	-	-	20,604	9,461	31,743
Membership and dues	672	341	-	-	9,673	2,933	13,619
Other expenses	647	146	-	-	7,701	3,076	11,570
Occupation tax	-	159	-	-	-	11,141	11,300
Legal costs	605	108	-	-	6,026	1,670	8,409
Depreciation	-	-	-	-	-	6,307	6,307
Work study	-	-	-	-	-	6,111	6,111
Training and education	108	42	-	-	1,737	562	2,449
Total nonpersonnel expenses	<u>18,133</u>	<u>8,086</u>	<u>-</u>	<u>-</u>	<u>379,917</u>	<u>302,898</u>	<u>709,034</u>
Total expenses	<u>117,783</u>	<u>67,085</u>	<u>111,575</u>	<u>212,937</u>	<u>2,911,166</u>	<u>1,239,291</u>	<u>4,659,837</u>
Change in Net Assets Without Donor Restrictions before Other Changes in Net Assets Without Donor Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,040</u>	<u>62,040</u>
Other Changes in Net Assets Without Donor Restrictions							
Change in value of investments managed by others	-	-	-	-	-	(60,855)	(60,855)
Interest and dividends	-	-	-	-	-	3,931	3,931
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,924)</u>	<u>(56,924)</u>
Change in net assets without donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,116</u>	<u>5,116</u>
Changes in Net Assets With Donor Restrictions							
Contributions	-	-	-	-	320,305	-	320,305
Release from restriction	-	-	-	-	(266,152)	-	(266,152)
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,153</u>	<u>-</u>	<u>54,153</u>
Change in Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,153</u>	<u>5,116</u>	<u>59,269</u>
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>692,238</u>	<u>2,240,265</u>	<u>2,932,503</u>
Net Assets - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,391</u>	<u>\$ 2,245,381</u>	<u>\$ 2,991,772</u>

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

**AGENCY ON AGING OF SOUTH CENTRAL CONNECTICUT - GRANT #025-18-C
SCHEDULE OF INCOME, EXPENSES AND BUDGET COMPARISONS
GRANT PERIOD JANUARY 1, 2018 THROUGH SEPTEMBER 30, 2018**

	<u>Budget</u>	<u>Expenses</u>	<u>Actual (Over) Under Budget</u>
Personnel salaries *	\$ 58,467	\$ 47,986	\$ 10,481
Fringe benefits	22,802	18,716	4,086
Travel	574	471	103
Rent	2,618	2,149	469
Telephone	296	243	53
Utilities	388	318	70
Equipment repairs and maintenance	338	277	61
Conferences and training	116	95	21
Contractual services	1,242	1,019	223
Insurance	388	318	70
Postage	106	90	16
Printing	108	62	46
Supplies	262	215	47
Dues and subscriptions	1,097	900	197
Audit fee	296	277	19
Other	349	286	63
Total costs	<u>89,447</u>	<u>73,422</u>	<u>16,025</u>
Less Title III funds:			
Nonfederal share	22,362	18,355	4,007
Federal share	<u>67,085</u>	<u>55,067</u>	<u>12,018</u>
Total Title III funds	<u>89,447</u>	<u>73,422</u>	<u>16,025</u>
Balance of Unexpended Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Personnel expenses of NHLAA staff accounted for by time records.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

**AGENCY ON AGING OF SOUTH CENTRAL CONNECTICUT - GRANT #025-19-C
SCHEDULE OF INCOME, EXPENSES AND BUDGET COMPARISONS
GRANT PERIOD OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018**

	<u>Budget</u>	<u>Expenses</u>	<u>Actual (Over) Under Budget</u>
Personnel salaries *	\$ 42,124	\$ 10,609	\$ 31,515
Fringe benefits	16,203	4,050	12,153
Travel	254	64	190
Rent	2,245	561	1,684
Telephone	182	46	136
Utilities	310	78	232
Equipment repairs and maintenance	221	55	166
Conferences and training	76	19	57
Contractual services	787	197	590
Insurance	265	66	199
Postage	66	17	49
Printing	71	-	71
Supplies	166	42	124
Dues and subscriptions	675	169	506
Audit fee	243	-	243
Other	225	55	170
Total costs	<u>64,113</u>	<u>16,028</u>	<u>48,085</u>
Less Title III funds:			
Nonfederal share	16,028	4,007	12,021
Federal share	<u>48,085</u>	<u>12,021</u>	<u>36,064</u>
Total Title III funds	<u>64,113</u>	<u>16,028</u>	<u>48,085</u>
Balance of Unexpended Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*Personnel expenses of NHLAA staff accounted for by time records.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

**STATE OF CONNECTICUT DEPARTMENT OF SOCIAL SERVICES GRANTS
SCHEDULE OF COMPARATIVE ANALYSIS OF PROGRAM COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	#0831FZ-SBG-2/16DSS5000FZ & #018DSS5001FZ/093-1FZ-SBG-3		
	Budget*	Actual	(Over) Under Budget
Contractual services:			
Independent audit	\$ 674	\$ 656	\$ 18
Administration:			
Salaries	524	515	9
Fringe benefits	200	157	43
Total	<u>724</u>	<u>672</u>	<u>52</u>
Direct program staff:			
Salaries	75,307	76,408	(1,101)
Fringe benefits	28,639	22,570	6,069
Total	<u>103,946</u>	<u>98,978</u>	<u>4,968</u>
Other costs:			
Program rent	6,553	8,286	(1,733)
Consumable supplies	905	1,009	(104)
Travel and transportation	1,100	1,143	(43)
Utilities	947	1,469	(522)
Repairs and maintenance	763	493	270
Insurance	892	914	(22)
Training and conference cost	41	36	5
Other project expenses	3,560	4,127	(567)
Total	<u>14,761</u>	<u>17,477</u>	<u>(2,716)</u>
Program income	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Program Costs	\$ <u>120,105</u>	\$ <u>117,783</u>	\$ <u>2,322</u>

* Grant budgets were pro-rated where grant periods did not coincide with NHLAA calendar year.
There were no questioned costs associated with these grants.

NEW HAVEN LEGAL ASSISTANCE ASSOCIATION, INC.

**SCHEDULE OF 2018 EXPENSES AND RELATED AWARDS -
CONNECTICUT BAR FOUNDATION PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Interest on Lawyers Trust Accounts	Judicial Branch Grants-in-Aid	Court Fees Grants-in-Aid	Bank of America	Singer Fellow	Total
Changes in Net Assets Without Donor Restrictions						
Support and revenues:						
Grants and contracts	\$ -	\$ 221,223	\$ 2,034,252	\$ -	\$ -	\$ 2,255,475
Contributions	361,363	-	-	3,176	25,000	389,539
Release from restriction	-	-	-	266,152	-	266,152
Total support and revenues	<u>361,363</u>	<u>221,223</u>	<u>2,034,252</u>	<u>269,328</u>	<u>25,000</u>	<u>2,911,166</u>
Expenditures:						
Personnel expenses:						
Salaries	232,923	142,470	1,309,917	135,554	19,577	1,840,441
Employee benefits	87,446	53,535	492,216	52,188	5,423	690,808
Total personnel expenses	<u>320,369</u>	<u>196,005</u>	<u>1,802,133</u>	<u>187,742</u>	<u>25,000</u>	<u>2,531,249</u>
Nonpersonnel expenses:						
Occupancy	22,149	13,560	124,948	10,657	-	171,314
Contractual services	5,673	3,639	33,439	64,307	-	107,058
Office expenses	4,070	2,454	22,566	2,216	-	31,306
Technical literature	3,228	1,956	17,990	1,324	-	24,498
Travel	2,706	1,624	14,932	1,342	-	20,604
Memberships and dues	1,157	772	7,090	654	-	9,673
Other expenses	997	605	5,567	532	-	7,701
Legal costs	803	469	4,314	440	-	6,026
Training and education	211	139	1,273	114	-	1,737
Total nonpersonnel expenses	<u>40,994</u>	<u>25,218</u>	<u>232,119</u>	<u>81,586</u>	<u>-</u>	<u>379,917</u>
Total expenses	<u>361,363</u>	<u>221,223</u>	<u>2,034,252</u>	<u>269,328</u>	<u>25,000</u>	<u>2,911,166</u>
Change in net assets without donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets With Donor Restrictions						
Contributions	-	-	-	320,305	-	320,305
Release from restrictions	-	-	-	(266,152)	-	(266,152)
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,153</u>	<u>-</u>	<u>54,153</u>
Total Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,153</u>	<u>\$ -</u>	<u>\$ 54,153</u>