

## **Connecticut Bar Foundation, Inc.**

December 31, 2017 and 2016

I. General Purpose Financial Statements

II. Report in Accordance with

*Government Auditing Standards*

III. State Single Audit Reports



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## **I. GENERAL PURPOSE FINANCIAL STATEMENTS**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Connecticut Bar Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Connecticut Bar Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***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 of 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 auditor considers internal control relevant to the Foundation'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 Foundation'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 Connecticut Bar Foundation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of financial position as of December 31, 2017 and the schedules of expenses and expenditures of state financial assistance for the year then ended 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 our report dated May 3, 2018, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut  
May 3, 2018

# CONNECTICUT BAR FOUNDATION, INC.

## Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 719,110	\$ 669,601
Investments, fair value	9,772,219	9,344,765
IOLTA/IOTA receivables	173,081	186,430
JBGIA grant receivable	310,477	-
Pledges receivable, net	442,879	447,836
Accounts and loans receivable	39,669	28,000
Property and equipment, net	10,813	4,583
Total assets	<u>\$ 11,468,248</u>	<u>\$ 10,681,215</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 1,285,525</u>	<u>\$ 47,094</u>
Net assets:		
Unrestricted	1,736,625	1,499,653
Temporarily restricted	8,446,098	9,134,468
Total net assets	<u>10,182,723</u>	<u>10,634,121</u>
Total liabilities and net assets	<u>\$ 11,468,248</u>	<u>\$ 10,681,215</u>

The accompanying notes are an integral part of the financial statements.

# CONNECTICUT BAR FOUNDATION, INC.

## Statements of Activities

For the years ended December 31, 2017 and 2016

	2017	2016
<b>Changes in unrestricted net assets</b>		
Revenues and Support:		
Contributions	\$ 58,248	\$ 73,989
Net realized and unrealized gain on investments	205,331	78,820
Dividends and interest	34,962	32,945
Other income	16,764	10,600
	315,305	196,354
Net assets released from restrictions	18,169,880	16,387,319
Total revenues and support	18,485,185	16,583,673
Expenses:		
General and administrative	695,865	683,080
Grants and program	17,552,348	15,826,632
Total expenses	18,248,213	16,509,712
Change in unrestricted net assets	236,972	73,961
Unrestricted net assets, beginning of year	1,499,653	1,425,692
Unrestricted net assets, end of year	\$ 1,736,625	\$ 1,499,653
<b>Changes in temporarily restricted net assets</b>		
Revenues and Support:		
Court Fees Grants-in-Aid	\$ 13,200,994	\$ 12,289,982
IOLTA/IOTA income	1,989,935	1,946,909
Judicial Branch Grants-in-Aid	1,435,477	1,500,000
Dividends and interest	135,489	113,887
Pledged contributions, Fellows program	126,220	187,504
General Foundation - Innocence Fund	5,015	26,250
General Foundation - Kravitz Symposium Fund	-	1,000
General Foundation - Speziale Fund	13,250	100
General Foundation - Other Restricted Funds	265,633	2,970,470
Net realized and unrealized gain on investments	309,497	153,808
Total revenues and support	17,481,510	19,189,910
Net assets released from restrictions	(18,169,880)	(16,387,319)
Change in temporarily restricted net assets	(688,370)	2,802,591
Temporarily restricted net assets, beginning of year	9,134,468	6,331,877
Temporarily restricted net assets, end of year	\$ 8,446,098	\$ 9,134,468

The accompanying notes are an integral part of the financial statements.

# CONNECTICUT BAR FOUNDATION, INC.

## Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (451,398)	\$ 2,876,552
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	927	2,757
Gain on sale of fixed asset	(4,484)	-
Bad debt	6,000	14,350
Change in allowance for uncollectible pledges and discount rate for pledges receivable	(4,720)	(4,454)
Realized gain on investments	(103,063)	(22,890)
Unrealized gain on investments	(411,765)	(209,738)
(Increase)/decrease in operating assets:		
IOLTA/IOTA receivables	13,349	(28,524)
JBGIA grant receivable	(310,477)	-
Pledges receivable	3,677	(55,481)
Accounts and loans receivable	(11,669)	19,388
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,238,431	(843,845)
Net change in cash from operating activities	(35,192)	1,748,115
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(10,813)	-
Reimbursement from disposal of asset	8,140	-
Reinvestment of income	(66,404)	(124,486)
Sale/(purchase) of investments, net	153,778	(2,460,702)
Net change in cash from investing activities	84,701	(2,585,188)
<b>Net change in cash and cash equivalents</b>	49,509	(837,073)
Cash and cash equivalents at beginning of year	669,601	1,506,674
Cash and cash equivalents at end of year	\$ 719,110	\$ 669,601

The accompanying notes are an integral part of the financial statements.

# CONNECTICUT BAR FOUNDATION, INC.

## Notes to Financial Statements

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Purpose of Organization

The Connecticut Bar Foundation, Inc. (the “Foundation”) was incorporated in 1952 exclusively for charitable, scientific, literary and educational purposes, primarily to improve and facilitate the administration of justice. Support and revenue of the Foundation consist of state grants, contributions, and investment earnings. The Foundation is the designated agency to receive and allocate Interest earned On Lawyers’ Trust Accounts (“IOLTA”), Interest On Trust Accounts (“IOTA”), as required by Connecticut General Statute Sec. 51-81c, Judicial Branch Grants-in-Aid (“JBGIA”) and Court Fees Grants-in-Aid (“CFGIA”), as required by P.A. 09-152, P.A. 12-89, P.A. 14-217, and P.A.16-26, issued by the State of Connecticut.

#### Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### Investments

The Foundation carries investments in certificates of deposit and marketable securities at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

#### Contributions

Unrestricted and unconditional contributions are recognized as support when received or pledged. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires or restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Under the *Accounting for Contributions Received and Contributions Made* topic of the FASB Codification, (FASB ASC 958), long-term promises to give are discounted to their net present value.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

### **Judicial Branch Grants-in-Aid Program**

The Foundation acts as a pass through entity for the State of Connecticut Judicial Branch Grants-in-Aid program. The Foundation distributes these funds to current IOLTA grantees for civil legal representation for the poor. These funds are subject to reduction or termination.

### **Court Fees Grants-in-Aid Program**

In an effort to replace drastically reduced IOLTA/IOTA revenue, the Connecticut State Legislature passed certain court fee increases effective July 1, 2009 and other increases effective July 1, 2012. Effective July 1, 2014, additional increases in the allocation of court fee revenue to the Foundation were passed in the Legislature through Public Act No. 14-217 Section 179. Effective July 1, 2016, P.A. 16-26 made small increases to a set of court fees that had not been adjusted since 2012 and dedicated the increases to funding legal services.

Under the Court Fees Grants-in-Aid program, the Judicial Branch transfers the revenue from the fee increases to the Foundation on a monthly basis. The Foundation distributes the funds pursuant to Section 51-81c of Connecticut General Statutes to current IOLTA/IOTA grantees for the purpose of funding the delivery of legal services to the poor.

### **IOLTA/IOTA Program**

The revenue of the IOLTA/IOTA Program is derived from interest earned on lawyers' trust accounts and interest on trust accounts, made available by participating attorneys through eligible financial institution remittances of interest earned on these accounts. The purpose of the program is to make funds available to provide for the delivery of legal services to the poor and for law school scholarships based on financial need. As of October 1, 1989, Connecticut state statute made participation in IOLTA/IOTA mandatory for attorney clients' funds not held in separate interest-bearing accounts for the benefit of the client. The statute was amended in 2005 to include funds from all entities having accounts established to receive loan proceeds from a mortgage lender, which implemented the interest on trust accounts program.

The number of lawyers participating in the Program was 11,800 and 10,116 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, there were 7,869 and 7,931 trust accounts in the IOLTA/IOTA Program, respectively.

The Foundation awarded grants to legal service providers and grants to law schools for scholarships based on financial need and paid other program expenses totaling \$3,233,807 and \$2,330,176 from IOLTA/IOTA revenues for the years ended December 31, 2017 and 2016, respectively.

The Foundation received 93% and 81% of total revenue from JBGIA, CFGIA and IOLTA/IOTA programs for the years ended December 31, 2017 and 2016, respectively.

### **IOLTA/IOTA Receivables**

IOLTA/IOTA receivables represent interest earned on lawyers' and other trust accounts during the year that is transferred by the banks to the Foundation in January of the following year. No reserves are deemed necessary, as all receivables are considered collectable.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

### Property and Equipment

Property and equipment acquisitions and improvements that individually exceed \$2,500 are capitalized at cost and are depreciated over their estimated useful lives of five to seven years using the straight-line method. Repairs and maintenance that do not prolong asset life are charged to expense as incurred.

### Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Connecticut income taxes. Therefore, no provision has been made for federal or state income taxes.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain reclassifications have been made to the December 31, 2016 financial statements to conform to the December 31, 2017 financial statement presentation.

### Subsequent Events Measurement Date

The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2017 through May 3, 2018, the date on which financial statements were available to be issued.

## **NOTE 2 – CONCENTRATIONS OF RISK**

### Cash and Cash Equivalents

The Foundation maintains deposits which exceed Federal depository insurance limits in financial institutions. Management continually reviews the financial institutions for financial stability. The Foundation has not experienced any losses and believes that its cash and cash equivalents are not exposed to significant credit risk.

### Investments

Management considers investments to be sufficiently diversified to minimize to an acceptable level the individual investment and industry concentration risks. The Foundation's investments are subject to the risks of the securities market as a whole.

## **NOTE 2 – CONCENTRATIONS OF RISK - (CONTINUED)**

### Court Fees Grants-in-Aid Program

Approximately 74% and 63% of the Foundation's total support was derived from Court Fees Grants-in-Aid program income for the years ended December 31, 2017 and 2016, respectively.

### IOLTA/IOTA Support

Approximately 11% and 10% of the Foundation's total support was derived from IOLTA/IOTA income for the years ended December 31, 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, income generated from five individual banks totaled 54% and 50%, respectively, of total IOLTA/IOTA income.

### Pledges Receivable

Pledges receivable consist of unconditional promises to give from individuals. Management has provided for potential credit losses through an allowance for doubtful accounts and charges against this allowance have been within management's expectations.

## **NOTE 3 – FAIR VALUE MEASUREMENT**

The Foundation follows the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification, (FASB ASC 820) which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels of inputs may be used to measure fair values:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

**NOTE 3 – FAIR VALUE MEASUREMENT - (CONTINUED)**

The allocation and fair value measurements of the Foundation’s investments that are reported in the accompanying statements of financial position are as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equity, mutual funds:		
Total Stock Market Index Fund	\$ 2,337,167	\$ 2,218,817
International Stock Index Fund	641,261	528,617
Fixed income funds	<u>6,793,791</u>	<u>6,597,331</u>
Total investments	<u>\$ 9,772,219</u>	<u>\$ 9,344,765</u>

All investments held by the Foundation are valued using Level 1 inputs.

**NOTE 4 – PLEDGES RECEIVABLE**

The Foundation sponsors the James W. Cooper Fellows Program to promote a better understanding of the legal profession and the justice system among the citizens of Connecticut, and to address matters concerning the legal profession and administration of justice in Connecticut. Such pledges are recorded as revenue when made to the Foundation. Pledges receivable consist of these unconditional promises to give as of December 31, and are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 40,650	\$ 31,013
One to five years	382,626	391,190
Greater than five years	<u>106,750</u>	<u>117,500</u>
Total pledges receivable	530,026	539,703
Less: allowance for uncollectible pledges	(13,348)	(13,493)
Less: 3.50% discount to net present value	<u>(73,799)</u>	<u>(78,374)</u>
Total pledges receivable, net	<u>\$ 442,879</u>	<u>\$ 447,836</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Office furniture and equipment	\$ 15,456	\$ 13,783
Less: accumulated depreciation	<u>(4,643)</u>	<u>(9,200)</u>
Property and equipment, net	<u>\$ 10,813</u>	<u>\$ 4,583</u>

## NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets will be recognized in subsequent years upon satisfaction of purpose restrictions in the following areas:

	<u>2017</u>	<u>2016</u>
IOLTA/IOTA Program	\$ 7,479,591	\$ 8,431,001
Judicial Branch Grants-in-Aid	23	1
Court Fees Grants-in-Aid	21	497
General Foundation, Fellows Program	442,879	447,836
General Foundation, Speziale Fund	48,662	41,198
General Foundation, Innocence Fund	98,871	93,326
General Foundation, Kravitz Symposium Fund	124,708	108,429
General Foundation, Restricted	251,343	12,180
Total temporarily restricted net assets	<u>\$ 8,446,098</u>	<u>\$ 9,134,468</u>

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes specified by those donors during the years ended December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
IOLTA/IOTA program activity	\$ 3,362,776	\$ 2,451,678
JBGIA/CFGIA program activity	14,637,173	13,790,381
Speziale program activity	13,109	-
Innocence program activity	17	-
Restricted program activity	24,120	3,282
Kravitz program activity	1,508	58
Write off of uncollectible pledges	6,000	14,350
Satisfaction of pledge time restrictions	125,177	127,570
	<u>\$ 18,169,880</u>	<u>\$ 16,387,319</u>

## NOTE 7 – COMMITMENTS

The Foundation's board of directors approved \$16,378,850 for grant awards to be disbursed in monthly payments during the 2018 grant year from January 1 through December 31, 2018, and \$30,000 for scholarships to be disbursed during the same time period.

The Foundation grants loans to newly released exonerees. As of December 31, 2017 and 2016, \$39,400 and \$28,000, respectively, in loans have been disbursed and are recorded in accounts and loans receivable on the statements of financial position.

During 2017 the Foundation received a \$225,000 contribution that must be used to fund the salaries of three fellows employed by grantees of the Foundation. The funds are expected to be expended in the year ended December 31, 2018.

**NOTE 8 – OPERATING LEASES**

The Foundation has a lease agreement for office space and parking that calls for monthly payments. The lease agreement ends March 31, 2023. Expenses for parking and rent were \$30,981 and \$31,710 for 2017 and 2016, respectively.

The Foundation has entered into operating leases for various office equipment which terminate on various dates through 2021. Expense for the leases was \$5,337 and \$5,819 for 2017 and 2016, respectively.

The following is a schedule by years of future minimum lease payments required under the operating leases as of December 31:

2018	\$	37,866
2019		39,027
2020		39,544
2021		38,043
2022		36,744
Thereafter		9,258

**NOTE 9 – PENSION PLAN**

The Foundation sponsors a simplified employee pension plan. To participate, full time employees must be 21 years of age and have been employed for any part of three consecutive calendar years. Contributions are based on ten percent of the participant's calendar year compensation. Pension expense was \$38,848 and \$25,708 for the years ended December 31, 2017 and 2016, respectively.

## **SUPPLEMENTAL INFORMATION**

**CONNECTICUT BAR FOUNDATION, INC.**

Schedule of Financial Position

December 31, 2017

	<u>IOLTA/IOTA</u>	<u>Court Fees Grants-in-Aid</u>	<u>Judicial Branch Grants-in-Aid</u>	<u>General Foundation</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 301,733	\$ 21	\$ 23	\$ 417,333	\$ 719,110
Investments, fair value	7,963,013	-	-	1,809,206	9,772,219
IOLTA/IOTA receivables	173,081	-	-	-	173,081
JBGIA grant receivable	-	-	310,477	-	310,477
Pledges receivable, net	-	-	-	442,879	442,879
Accounts and loans receivable	269	-	-	39,400	39,669
Due to/(from) other programs	5,121	-	(2,213)	(2,908)	-
Property and equipment, net	9,172	-	-	1,641	10,813
	<u>\$ 8,452,389</u>	<u>\$ 21</u>	<u>\$ 308,287</u>	<u>\$ 2,707,551</u>	<u>\$ 11,468,248</u>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 972,798	\$ -	\$ 308,264	\$ 4,463	\$ 1,285,525
Net assets:					
Unrestricted	-	-	-	1,736,625	1,736,625
Temporarily restricted	7,479,591	21	23	966,463	8,446,098
Total net assets	<u>7,479,591</u>	<u>21</u>	<u>23</u>	<u>2,703,088</u>	<u>10,182,723</u>
Total liabilities and net assets	<u>\$ 8,452,389</u>	<u>\$ 21</u>	<u>\$ 308,287</u>	<u>\$ 2,707,551</u>	<u>\$ 11,468,248</u>



## CONNECTICUT BAR FOUNDATION, INC.

### Schedule of Expenses

For the year ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	IOLTA/IOTA	Court Fees Grants-in-Aid	Judicial Branch Grants-in-Aid	General Foundation	2017 Total	2016 Total
<b>General and administrative:</b>						
Compensation and temporary help	\$ 74,713	\$ 235,332	\$ 9,713	\$ 93,698	\$ 413,456	\$ 410,824
Payroll taxes	6,819	18,659	-	7,573	33,051	32,744
Employee benefits	10,660	38,798	-	14,561	64,019	62,186
Pension	6,422	23,371	-	9,055	38,848	25,708
Occupancy costs	5,058	18,410	-	9,116	32,584	33,557
Telephone	660	2,408	-	1,023	4,091	3,601
Insurance	1,775	6,461	-	2,752	10,988	11,955
Professional services	4,031	14,671	-	8,822	27,524	27,295
Outside services	11,325	8,998	-	7,109	27,432	21,772
Equipment	400	4,263	-	739	5,402	5,023
Travel, meetings and dues	4,994	3,646	-	6,191	14,831	16,117
Office supplies and maintenance	571	2,079	-	4,346	6,996	7,470
Printing costs	859	3,122	-	2,952	6,933	5,299
Postage	422	1,535	-	-	1,957	1,711
Miscellaneous	60	218	-	548	826	711
Bad debt	-	-	-	6,000	6,000	14,350
Depreciation	200	727	-	-	927	2,757
Total general and administrative	<u>128,969</u>	<u>382,698</u>	<u>9,713</u>	<u>174,485</u>	<u>695,865</u>	<u>683,080</u>
<b>Grants and program</b>	<u>3,233,807</u>	<u>12,818,998</u>	<u>1,425,764</u>	<u>73,779</u>	<u>17,552,348</u>	<u>15,826,632</u>
<b>Total expenses</b>	<u><u>\$ 3,362,776</u></u>	<u><u>\$ 13,201,696</u></u>	<u><u>\$ 1,435,477</u></u>	<u><u>\$ 248,264</u></u>	<u><u>\$ 18,248,213</u></u>	<u><u>\$ 16,509,712</u></u>

**II. REPORT IN ACCORDANCE WITH**  
*GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' 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 of  
Connecticut Bar Foundation, 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 Bar Foundation, Inc., which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Connecticut Bar Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Bar Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Connecticut Bar Foundation, 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
May 3, 2018

### **III. STATE SINGLE AUDIT REPORTS**

INDEPENDENT AUDITORS' 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 of  
Connecticut Bar Foundation, Inc.

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

We have audited Connecticut Bar Foundation, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Connecticut Bar Foundation, Inc.'s major state programs for the year ended December 31, 2017. Connecticut Bar Foundation, Inc.'s major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Connecticut Bar Foundation, Inc.'s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Connecticut Bar Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of Connecticut Bar Foundation, Inc.'s compliance.

***Opinion on the Major State Program***

In our opinion, Connecticut Bar Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended December 31, 2017.

**Report on Internal Control Over Compliance**

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

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

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



Hartford, Connecticut  
May 3, 2018

# CONNECTICUT BAR FOUNDATION, INC.

## Schedule of Expenditures of State Financial Assistance

For the year ended December 31, 2017

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Amount Provided to Subrecipients</u>	<u>Expenditures</u>
<b>Judicial Branch</b>			
Civil Legal Representation	11000-JUD95131-12516-090	\$ 1,425,764	\$ 1,435,477
Court Fee Program	34001-JUD95162-40001-089	12,805,666	13,201,696
Total State Financial Assistance		<u>\$ 14,231,430</u>	<u>\$ 14,637,173</u>

See Notes to Schedule



# CONNECTICUT BAR FOUNDATION, INC.

## Notes to Schedule of Expenditures of State Financial Assistance

For the year ended December 31, 2017

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The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Connecticut Bar Foundation, Inc. under the programs of the State of Connecticut for the year ended December 31, 2017. The Judicial Branch of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs to provide civil legal representation to poor people in Connecticut.

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Connecticut Bar Foundation, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut Office of Policy and Management.

#### Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. 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 of Expenditures of State Financial Assistance.

**CONNECTICUT BAR FOUNDATION, INC.**

Schedule of Findings and Questioned Costs

For the year ended December 31, 2017

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**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' opinion issued:

*Unmodified*

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 auditors' opinion issued on compliance for major programs:

*Unmodified*

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
<b>Judicial Branch</b>		
Court Fee Program	34001-JUD95162-40001-089	\$ 13,201,696
Dollar threshold used to distinguish between Type A and Type B programs		<u><u>\$ 292,743</u></u>

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**Headquarters**

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