

*Audited Financial Statements  
Reports in Accordance with  
Government Auditing Standards  
and the State Single Audit Act*

**Connecticut Bar Foundation, Inc.**

*Years ended December 31, 2019 and 2018  
with Independent Auditors' Report*

Connecticut Bar Foundation, Inc.

Financial Statements

Years Ended December 31, 2019 and 2018

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## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of Connecticut Bar Foundation, Inc. (a nonprofit) (the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Independent Auditors' Report (continued)

### 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Year Financial Statement

The financial statements of Connecticut Bar Foundation, Inc. as of December 31, 2018 were audited by other auditors whose report dated May 9, 2019 expressed an unmodified opinion on those statements.

### 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 financial position by program as of December 31, 2019 and the schedule of general and administrative expenses by program 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 5, 2020, on our consideration of Connecticut Bar Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

*Fiondella, Milone & LaSaracina LLP*

Glastonbury, Connecticut  
May 5, 2020

Connecticut Bar Foundation, Inc.  
 Statements of Financial Position  
 December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Current assets:		
Cash and cash equivalents	\$ 1,419,781	\$ 654,190
IOLTA/IOTA receivables	348,281	408,638
Pledges receivable, net	417,347	452,583
Accounts and loans receivable	66,100	36,100
Total current assets	2,251,509	1,551,511
Investments, at fair value	10,947,008	9,873,317
Property and equipment, net	4,937	10,833
<b>Total assets</b>	<b>\$ 13,203,454</b>	<b>\$ 11,435,661</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 701,708	\$ 1,999,866
Total current liabilities	701,708	1,999,866
Net assets		
Without donor restrictions	1,795,382	1,465,448
With donor restrictions	10,706,364	7,970,347
Total net assets	12,501,746	9,435,795
Total liabilities and net assets	<b>\$ 13,203,454</b>	<b>\$ 11,435,661</b>

*See accompanying notes*

Connecticut Bar Foundation, Inc.  
 Statements of Activities  
 For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Changes in net assets without donor restrictions:</b>		
<b>Revenues and Support:</b>		
Contributions	\$ 38,347	\$ 58,691
Net investment realized and unrealized gains (losses)	296,807	(128,004)
Dividends and interest	45,831	38,001
Other income	15,360	11,320
	396,345	(19,992)
Net assets released from restrictions	17,967,619	18,611,481
Total revenues and support	18,363,964	18,591,489
<b>Expenses:</b>		
General and administrative	743,554	706,194
Grants and programs	17,290,476	18,156,472
Total expenditures	18,034,030	18,862,666
<b>Change in net assets without donor restrictions</b>	<b>329,934</b>	<b>(271,177)</b>
<b>Changes in net assets with donor restrictions:</b>		
<b>Revenues and Support:</b>		
Court Fees Grants-in-Aid	\$ 12,918,458	\$ 12,911,216
IOLTA/IOTA income	4,825,887	3,418,951
Judicial Branch Grants-in-Aid	1,370,954	1,370,954
Dividends and interest	225,780	182,687
Pledged contributions, Fellows program	107,664	112,855
General Foundation - Innocence Fund	500	450
General Foundation - Singer Fund	215,000	225,204
General Foundation - Other Restricted Funds	323,299	116,310
IOLTA/IOTA (loss)/gain on disposal of equipment	(4,250)	-
Net investment realized and unrealized gains (losses)	720,344	(202,897)
Total revenues and support	20,703,636	18,135,730
Net assets released from restrictions	(17,967,619)	(18,611,481)
<b>Change in net assets with donor restrictions</b>	<b>\$ 2,736,017</b>	<b>\$ (475,751)</b>
<b>Change in net assets</b>	<b>3,065,951</b>	<b>(746,928)</b>
<b>Net assets - beginning of year</b>	<b>9,435,795</b>	<b>10,182,723</b>
<b>Net assets - end of year</b>	<b>\$ 12,501,746</b>	<b>\$ 9,435,795</b>

*See accompanying notes*

Connecticut Bar Foundation, Inc.  
 Statements of Functional Expenses  
 For the years ended December 31, 2019 and 2018

	2019			2018		
	Programs	Management and General	Total	Programs	Management and General	Total
Grants	\$ 17,220,314	\$ -	\$ 17,220,314	\$ 18,045,293	\$ -	\$ 18,045,293
Compensation and temporary help	4,204	443,926	448,130	4,275	430,480	434,755
Employee benefits	-	64,188	64,188	-	67,885	67,885
Fellows' symposia and other events	40,850	-	40,850	78,771	-	78,771
Outside services	-	39,693	39,693	-	22,869	22,869
Payroll taxes	333	36,562	36,895	409	34,552	34,961
Occupancy costs	-	34,334	34,334	-	34,836	34,836
Professional services	-	30,864	30,864	-	26,384	26,384
Pension	-	27,991	27,991	-	39,538	39,538
Travel, meetings and dues	2,709	16,622	19,331	4,167	15,133	19,300
Bad debt	-	17,350	17,350	-	1,250	1,250
IOLTA software and monitoring	9,831	-	9,831	10,077	-	10,077
Insurance	-	8,250	8,250	-	8,295	8,295
Office supplies and maintenance	48	7,927	7,975	-	7,860	7,860
Printing costs	4,745	3,084	7,829	5,776	6,362	12,138
Postage	4,036	1,733	5,769	5,325	1,608	6,933
Equipment	-	4,688	4,688	-	4,395	4,395
Bank fees and miscellaneous	3,406	757	4,163	2,379	780	3,159
Telephone	-	3,637	3,637	-	2,321	2,321
Depreciation	-	1,646	1,646	-	1,646	1,646
UBTI Tax	-	302	302	-	-	-
Total expenses	<u>\$ 17,290,476</u>	<u>\$ 743,554</u>	<u>\$ 18,034,030</u>	<u>\$ 18,156,472</u>	<u>\$ 706,194</u>	<u>\$ 18,862,666</u>

See accompanying notes

Connecticut Bar Foundation, Inc.  
 Statements of Cash Flows  
 For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,065,951	\$ (746,928)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	1,646	1,646
Loss from disposal of asset	4,250	-
Bad debt	17,350	1,250
Change in allowance for uncollectible pledges and discount rate for pledges receivable	6,664	(405)
Realized (gains) loss on investments	(45,513)	43,116
Unrealized (gains) loss on investments	(971,638)	287,785
Changes in assets and liabilities:		
IOLTA/IOTA receivables	60,357	(235,557)
JBGIA grant receivable	-	310,477
Pledges receivable	11,222	(10,549)
Accounts and loan receivable	(30,000)	3,569
Accounts payable and accrued expenses	(1,298,158)	714,341
Net cash provided by operating activities	822,131	368,745
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(1,666)
Reinvestment of income	(227,286)	(114,716)
Purchase of investments	(1,400,000)	(2,832,001)
Sale of investments	1,570,746	2,514,718
Net cash used in investing activities	(56,540)	(433,665)
Net change in cash and cash equivalents	765,591	(64,920)
<b>Cash and cash equivalents - beginning of year</b>	654,190	719,110
<b>Cash and cash equivalents - end of year</b>	\$ 1,419,781	\$ 654,190

*See accompanying notes*



Connecticut Bar Foundation, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

## 1. Nature of Organization

The Connecticut Bar Foundation, Inc. (the Foundation) was incorporated in 1952 exclusively for charitable, scientific, literary and education purposes, primarily to improve and facilitate the administration of justice. The Foundation is designated to receive and allocate funds to support legal services that protect the interests of those who cannot afford civil legal counsel. The Foundation administers several programs; 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.

In 1994, the Foundation established the James W. Cooper Fellows program. The Fellows program sponsors symposia and projects that enhance the understanding of the role of law in society and promotes the highest ideals of the legal system.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. They are described as follows:

*Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions. These funds are available for general operating purposes and/or to use at the discretion of the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for general use by Management. There were no Board designated funds at December 31, 2019 and 2018.

*With Donor Restrictions* - Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provision of additional donor imposed stipulations or a board approved spending policy. At December 31, 2019 and 2018, the donor restricted net assets balance was \$10,706,364 and \$7,970,347, respectively.

### Recently Adopted Accounting Pronouncement

Effective January 1, 2019, the Foundation adopted Accounting Standard (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Made and Contributions Received*. The adoption of ASU 2018-08 did not result in a material change to the accounting for any revenue streams; as such, no cumulative effect adjustment was recorded.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid investments with a maturity of three months or less when acquired.

**Investments**

The Foundation carries investments in marketable securities at their current fair value as determined through published market quotations. Net investment earnings are included in the accompanying statement of activities.

**Pledges and Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded as receivables at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their estimated future cash flows using rates ranging from 1.9% to 3.5%. The discount rate used for pledges received in 2019 was 1.9%.

Management periodically evaluates the collectability of its receivables and creates an allowance for any accounts deemed uncollectible (see Note 4).

**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 collectible.

**Property and Equipment**

Property and equipment acquisitions and improvements are recorded at cost. It is the Foundation's policy to capitalize property and equipment with a cost in excess of \$2,500. Maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from five to seven years.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Revenue and Support**

*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. The Foundation receives a portion of the funds for administering the program.

*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, July 1, 2012, July 1, 2014, and July 1, 2016 (Public Acts 09-152, 12-89, 14-217, and 16-26 respectively) and dedicate a portion of those 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. The Foundation receives a portion of the funds for administering the program.

*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 11,668 and 11,182 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, there were 7,436 and 7,569 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 \$3,093,899 and \$3,943,497 from IOLTA/IOTA revenues for the years ended December 31, 2019 and 2018, respectively. Included in the 2018 IOLTA/IOTA revenue is a one-time settlement award of \$1,570,000.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Revenue and Support (continued)**

*Contributions*

Contributions that are unconditional are recorded when pledged and conditional contributions are recorded when the conditions have been met. Contributions are recorded as restricted support when they are received with donor stipulations that limit the use of such assets. When a restriction expires or when the restricted purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Cost Allocation**

The financial statements report certain categories of expenses that are attributable to one or more program functions of the Foundation. These categories include compensation, payroll taxes, meetings, printing and postage. The allocation of these categories is based on detailed records of time and effort maintained by the Foundation. The only amounts recorded as program expenses are those that are incurred for the sole purpose of running a specific program. All other amounts are recorded as management and general expenses.

**Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**3. Concentrations of Risk**

*Credit Risk - Cash*

The Foundation maintains its cash in financial institution accounts that, at times during the year, may exceed federally insured limits. The interest bearing cash balances in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. 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.

*Credit Risk - Investments*

The Foundation also maintains an investment account in a financial institution that is not insured by the FDIC. Management considers investments to be sufficiently diversified to minimize to an acceptable level the individual investment and industry concentration risks.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**3. Concentrations of Risk (continued)**

*Source of Revenue*

A substantial portion of the Foundation's total support is derived from grants received from the Judicial Branch for the Court Fee Grants-in-Aid and Judicial Branch Grants-in-Aid programs. The Foundation received approximately 68% and 79% of its revenue support from the Judicial Branch for the years ended December 31, 2019 and 2018, respectively.

IOLTA/IOTA income represented 23% and 19% of the Foundations total support for the years ended December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, income generated from five individual banks totaled 66% and 63%, respectively, of total IOLTA/IOTA income, one of which represented 45% and 40% of total IOLTA/IOTA income.

**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 the following as of December 31:

	<b>2019</b>	<b>2018</b>
Less than one year	\$ <b>60,430</b>	\$ 63,432
One to five years	<b>357,785</b>	378,943
Greater than five years	<b>78,760</b>	96,500
Total pledges receivable	<b>\$ 496,975</b>	\$ 538,875
Less: allowance for uncollectible pledges	<b>(23,164)</b>	(16,251)
Less: discount to net present value	<b>(56,464)</b>	(70,041)
Total pledges receivable, net	<b>\$ 417,347</b>	\$ 452,583

**5. Investments and Fair Value Measurements**

The Foundation provides disclosures about the fair value of its investment assets that are recognized at fair value in the financial statements on a recurring basis. The Foundation classifies these assets into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**5. Investments and Fair Value Measurements (continued)**

These levels are:

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.

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:

	<b>2019</b>	<b>2018</b>
Equity, mutual funds:		
Stock market index fund	\$ 3,157,663	\$ 2,373,975
International stock index fund	798,876	606,354
Fixed income funds	6,990,469	6,892,988
Total investments	<b>\$ 10,947,008</b>	<b>\$ 9,873,317</b>

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

**6. Property and Equipment**

A summary of property and equipment as of December 31 is presented below:

	<b>2019</b>	<b>2018</b>
Office equipment	\$ 8,229	\$ 12,479
Less accumulated depreciation	(3,292)	(1,646)
Net property and equipment	<b>\$ 4,937</b>	<b>\$ 10,833</b>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,646.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**7. Net Assets**

Net assets with donor restrictions will be recognized in subsequent years upon satisfaction of purpose restrictions in the following areas:

	<u>2019</u>	<u>2018</u>
IOLTA/IOTA Program	\$ 9,351,595	\$ 6,861,428
Judicial Branch Grants-in-Aid	-	37
Court Fees Grants-in-Aid	102	296
General Foundation, Fellow Program	417,256	452,583
General Foundation, Speziale Fund	51,481	45,997
General Foundation, Innocence Fund	100,442	99,583
General Foundation, Kravitz Symposium Fund	144,040	118,184
General Foundation, Singer Fund	302,110	341,617
General Foundation, restricted	339,338	50,622
Total net assets with donor restrictions	<u>\$ 10,706,364</u>	<u>\$ 7,970,347</u>

**8. Commitments**

The Foundations Board of Directors approved \$17,194,667 for grant awards to be disbursed in monthly payments during the 2020 grant year from January 1 through December 31, 2020, 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, 2019 and 2018, \$66,100 and \$36,100, respectively, in loans have been disbursed and are recorded in accounts and loan receivable on the Statement of Financial Position.

**9. Operating Leases**

The Foundation has a lease agreement for office space and parking with minimum monthly required payments ranging from \$2,485 to \$3,086. The lease agreement is effective through March 31, 2023. The Foundation has entered into operating lease agreements for various office equipment which terminate on various dates through 2021. Total lease expense for years ending December 31, 2019 and 2018 was \$39,275 and \$36,318, respectively.

Future minimum lease payments required under the operating leases as of December 31 are as follows:

2020	\$ 39,836
2021	38,043
2022	36,774
2023	9,258
	<u>\$ 123,911</u>

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**10. Pension Plan**

The Foundation sponsors a Simplified Employee Pension (SEP) retirement 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 participants' calendar year-end compensation. Pension expenses for the years ended December 31, 2019 and 2018 were \$27,991 and \$39,538, respectively.

**11. Income Taxes**

The Foundation has received an exemption from the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose.

Management of the Foundation evaluates all significant tax positions required by accounting principles generally accepted in the United States of America. At December 31, 2019 and 2018, management stated it does not have any tax position that would require the recording of any additional tax liability nor does it have any unrealized tax benefits that would either increase or decrease within the next twelve months.

The Foundation's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2019 and 2018, the Foundation's federal and state tax returns generally remain open for examination for years after December 31, 2016.

**12. Liquidity and Availability of Financial Assets**

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, and other obligations that come due. The Foundation defines general expenditures as those expenses related to administration of its programs including but not limited to salaries, employee benefits, rent, supplies, professional services, and equipment. These expenses are included in the Foundation's annual budget. Any costs over the budgeted amounts would be discussed with the President or Treasurer of the Foundation and a budget revision would be submitted to the Board if the overage were substantial enough or negatively impact the overall budget.

The Board of Directors has adopted and periodically reviews Investment, Reserve, Finance and Control policies to stipulate goals and controls for maintaining financial assets and guidelines for investing excess cash when available.



Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**12. Liquidity and Availability of Financial Assets (continued)**

The following reflects the Foundation's financial assets as of the financial position date, reduced by amounts not available for general use within one year of the financial position date because of contractual or donor imposed restrictions or internal designations.

	<b>2019</b>
Financial assets:	
Cash and cash equivalents	\$ 1,419,781
Investments, fair value	10,947,008
IOLTA/IOTA receivables	348,281
Pledges receivable, net	417,347
Accounts and loans receivable	66,100
	13,898,517
Less:	
Amounts unavailable for management:	(10,706,364)
Total financial assets available within one year	\$ 2,492,153

The Foundation adopted a Spending Policy in 2013, the purpose of which was to determine the amount of invested (non-IOLTA) assets that would be available each year to support its general operating budget. The policy was designed to work with its investment strategy to preserve invested (non-IOLTA) assets over time. It stipulates that during any one fiscal year, to support the operating budget, the Foundation shall use only 5% of the average value of total invested assets over the twelve quarters ending the previous September 30<sup>th</sup>. This amount is approved during the budgetary process and is \$80,753 for the 2020 calendar year. The Board of Directors further stipulated, that although it is hoped that funds invested will provide investment return for a long period, all invested assets may be fully expended at any time at the discretion of the Board of Directors.

The Foundation was selected to administer the IOLTA program in 1989 and in that capacity also administers the Court Fee Revenue Grants-in-Aid for the Judicial Branch. Funds from these two sources are the primary source of funding for the major legal aid programs in the State. The Foundation used approximately 3% of the funding for administration of the programs. The James W. Cooper Fellows provide funding for the Fellows programs, education symposia, and administrative expenses through their contributions to the Foundation.

The Foundation closely tracks donations that have been received with donor restrictions to assure that these funds are only used for their intended purpose.

Connecticut Bar Foundation, Inc.  
Notes to Financial Statements (continued)

**Subsequent Events**

The Foundation has evaluated events occurring between December 31, 2019 and May 5, 2020, the date the financial statements were available to be issued.

In early March 2020, there was a global outbreak of COVID-19 that has resulted in significant changes in the global economy. While the Foundation has not experienced any significant disruptions to its business operations to date, due to rising economic uncertainties, it is likely to negatively impact IOLTA/IOTA revenue due to declining Federal Funds rates and court fee revenue due to court closures.

Also due to the outbreak of COVID-19, the financial markets subsequent to year end have been negatively impacted. The value of the Foundation's investment portfolio has decreased significantly since the end of the year. The Foundation's strategic plans for 2020 are being reevaluated.

Connecticut Bar Foundation, Inc.  
Schedule of Financial Position by Program  
As of December 31, 2019

	<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	\$ 1,076,464	\$ 102	\$ -	\$ 343,215	\$ 1,419,781
IOLTA/IOTA receivables	348,281	-	-	-	348,281
Due to/from	571	-	-	(571)	-
Pledges receivable, net	-	-	-	417,347	417,347
Accounts and loans receivable	-	-	-	66,100	66,100
Total current assets	<u>1,425,316</u>	<u>102</u>	<u>-</u>	<u>826,091</u>	<u>2,251,509</u>
Property and equipment, net	3,563	-	-	1,374	4,937
Investments, fair value	8,544,656	-	-	2,402,352	10,947,008
Total assets	<u><u>\$ 9,973,535</u></u>	<u><u>\$ 102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,229,817</u></u>	<u><u>\$ 13,203,454</u></u>
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 621,940	\$ -	\$ -	\$ 79,768	\$ 701,708
Total current liabilities	<u>621,940</u>	<u>-</u>	<u>-</u>	<u>79,768</u>	<u>701,708</u>
Net Assets					
Without donor restrictions	-	-	-	1,795,382	1,795,382
With donor restrictions	9,351,595	102	-	1,354,667	10,706,364
Total net assets	<u>9,351,595</u>	<u>102</u>	<u>-</u>	<u>3,150,049</u>	<u>12,501,746</u>
Total liabilities and net assets	<u><u>\$ 9,973,535</u></u>	<u><u>\$ 102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,229,817</u></u>	<u><u>\$ 13,203,454</u></u>

Connecticut Bar Foundation, Inc.  
Schedule of General and Administrative Expenses by Programs  
For the Year Ended December 31, 2019

	<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>General and administrative:</b>					
Compensation and temporary help	\$ 88,931	\$ 245,309	\$ 9,000	\$ 100,686	\$ 443,926
Payroll taxes	8,284	19,643	139	8,496	36,562
Employee benefits	12,422	37,247	-	14,519	64,188
Pension	5,411	16,226	-	6,354	27,991
Occupancy costs	6,342	19,017	-	8,975	34,334
Telephone	675	2,024	-	938	3,637
Insurance	1,534	4,600	-	2,116	8,250
Professional services	5,135	15,397	-	10,332	30,864
Outside services	5,551	16,642	-	17,500	39,693
Equipment	879	2,637	-	1,172	4,688
Travel, meetings and dues	8,997	2,088	-	5,537	16,622
Office supplies and maintenance	723	2,167	-	5,037	7,927
Printing costs	624	1,872	-	588	3,084
Postage	433	1,300	-	-	1,733
Miscellaneous	50	146	-	561	757
Bad debt	-	-	-	17,350	17,350
Depreciation	540	695	-	411	1,646
UBTI Tax	-	-	-	302	302
Total general and administrative	<u>146,531</u>	<u>387,010</u>	<u>9,139</u>	<u>200,874</u>	<u>743,554</u>
<b>Programs</b>	<u>3,093,899</u>	<u>12,531,950</u>	<u>1,361,814</u>	<u>302,813</u>	<u>17,290,476</u>
Total expenses	<u><u>\$ 3,240,430</u></u>	<u><u>\$ 12,918,960</u></u>	<u><u>\$ 1,370,953</u></u>	<u><u>\$ 503,687</u></u>	<u><u>\$ 18,034,030</u></u>

## **Supplemental Information**

**II. Reports in Accordance with *Government Auditing Standards*  
and the *State Single Audit Act***



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. (the Foundation), which comprise the statement of financial position as of December 31, 2019 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 May 5, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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 (continued)*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation'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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fiondella, Milone & LaSaracina LLP*

Glastonbury, Connecticut  
May 5, 2020





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

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

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

We have audited Connecticut Bar Foundation, Inc.'s (the Foundation) 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 the Foundation's major state programs for the year ended December 31, 2019. The Foundation's major state programs are 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 each of the Foundation's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

**Opinion on Each Major State Program**

In our opinion, the Foundation, 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 December 31, 2019.

**Report on Internal Control over Compliance**

Management of the Foundation, 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 the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

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

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

**Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act.**

We have audited the financial statements of Connecticut Bar Foundation, Inc., as of and for the year ended December 31, 2019 and have issued our report thereon dated May 5, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Fiondella, Milone & LaSaracina LLP*

Glastonbury, Connecticut  
May 5, 2020

Connecticut Bar Foundation, Inc.  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2019

State Grantor / Pass Through Grantor Program Title	State Grant Program Core - CT Number	Passed Through Subrecipient	Expenditures
<b>Judicial Branch:</b>			
Civil Legal Representation	11000-JUD95162-12516-090	\$ 1,361,814	\$ 1,370,954
Court Fee Program	11000-JUD95162-40001-089	12,531,405	12,918,458
Total State Financial Assistance		<u>\$ 13,893,219</u>	<u>\$ 14,289,412</u>

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

Connecticut Bar Foundation, Inc.  
Note to Schedule of Expenditures of State Financial Assistance  
For the Year Ended December 31, 2019

**Note 1 - Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes state grant activity of Connecticut Bar Foundation, Inc. (the Foundation) under programs of the State of Connecticut for the fiscal year ended December 31, 2019. 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.

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities. The information in the Schedule of Expenditures of State Financial Assistance (the Schedule) 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 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.

Connecticut Bar Foundation, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2019

**I. Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s 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 program:

- 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

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>		
Civil Legal Representation	11000-JUD95162-12516-090	\$ 1,370,954
Court Fee Program	11000-JUD95162-40001-089	12,918,458
Dollar threshold used to distinguish between type A and type B programs		\$285,788

**II. Financial Statement Findings**

No matters were reported.

**III. State Financial Assistance Findings and Questioned Costs**

No matters were reported.