

**Houston Volunteer Lawyers Program, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2019 and 2018

# Houston Volunteer Lawyers Program, Inc.

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**Independent Auditors' Report**

To the Board of Directors of  
Houston Volunteer Lawyers Program, Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Houston Volunteer Lawyers Program, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, of functional expenses, and of 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston Volunteer Lawyers Program, Inc. as of December 31, 2019 and 2018 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in the Supplemental Schedules of Texas Access to Justice Foundation – Basic Civil Legal Services Grant Revenue and Expenses and the Supplemental Schedule of Legal Services Corporation – Private Attorney Involvement Expenses for the year ended December 31, 2019 is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, on our consideration of Houston Volunteer Lawyers Program, 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 Houston Volunteer Lawyers Program, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston Volunteer Lawyers Program, Inc.'s internal control over financial reporting and compliance.

*Blazek & Vetterling*

May 15, 2020

## Houston Volunteer Lawyers Program, Inc.

Statements of Financial Position as of December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 952,165	\$ 960,410
Contributions and grants receivable	1,253,900	1,030,867
Prepaid expenses and other assets	124,460	126,275
Property, net <i>(Note 4)</i>	<u>381,581</u>	<u>454,192</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,712,106</u></b>	<b><u>\$ 2,571,744</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 128,073	\$ 104,805
Deferred lease expense <i>(Note 9)</i>	267,148	310,377
Refundable advances	176,338	63,500
IOLTA Trust account payable <i>(Note 1)</i>	<u>742</u>	<u>53,145</u>
Total liabilities	<u>572,301</u>	<u>531,827</u>
Commitments <i>(Note 9)</i>		
Net assets:		
Without donor restrictions	808,193	714,749
With donor restrictions <i>(Note 5)</i>	<u>1,331,612</u>	<u>1,325,168</u>
Total net assets	<u>2,139,805</u>	<u>2,039,917</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,712,106</u></b>	<b><u>\$ 2,571,744</u></b>

*See accompanying notes to financial statements.*

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## Houston Volunteer Lawyers Program, Inc.

Statement of Activities for the year ended December 31, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Donated legal services <i>(Note 6)</i>	\$ 3,471,460		\$ 3,471,460
Contributions and grants <i>(Note 7)</i>	1,059,717	\$ 2,504,604	3,564,321
Other income	<u>13,643</u>	<u>                    </u>	<u>13,643</u>
Total revenue	4,544,820	2,504,604	7,049,424
Net assets released from restrictions:			
Expenditure for program purposes	<u>2,498,160</u>	<u>(2,498,160)</u>	<u>                    </u>
Total	<u>7,042,980</u>	<u>        6,444</u>	<u>7,049,424</u>
EXPENSES:			
Legal services program	6,530,425		6,530,425
Management and general	386,076		386,076
Fundraising	<u>33,035</u>	<u>                    </u>	<u>33,035</u>
Total expenses	<u>6,949,536</u>	<u>                    </u>	<u>6,949,536</u>
CHANGES IN NET ASSETS	93,444	6,444	99,888
Net assets, beginning of year	<u>714,749</u>	<u>1,325,168</u>	<u>2,039,917</u>
Net assets, end of year	<u>\$ 808,193</u>	<u>\$ 1,331,612</u>	<u>\$ 2,139,805</u>

*See accompanying notes to financial statements.*

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## Houston Volunteer Lawyers Program, Inc.

Statement of Activities for the year ended December 31, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Donated legal services <i>(Note 6)</i>	\$ 5,157,649		\$ 5,157,649
Contributions and grants <i>(Note 7)</i>	1,885,586	\$ 2,203,807	4,089,393
Other income	<u>31,822</u>	<u>                    </u>	<u>31,822</u>
Total revenue	7,075,057	2,203,807	9,278,864
Net assets released from restrictions:			
Expenditure for program purposes	<u>1,705,807</u>	<u>(1,705,807)</u>	<u>                    </u>
Total	<u>8,780,864</u>	<u>498,000</u>	<u>9,278,864</u>
EXPENSES:			
Legal services program	7,905,679		7,905,679
Management and general	641,791		641,791
Fundraising	<u>31,196</u>	<u>                    </u>	<u>31,196</u>
Total expenses	<u>8,578,666</u>	<u>                    </u>	<u>8,578,666</u>
CHANGES IN NET ASSETS	202,198	498,000	700,198
Net assets, beginning of year	<u>512,551</u>	<u>827,168</u>	<u>1,339,719</u>
Net assets, end of year	<u>\$ 714,749</u>	<u>\$ 1,325,168</u>	<u>\$ 2,039,917</u>

*See accompanying notes to financial statements.*

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## Houston Volunteer Lawyers Program, Inc.

### Statements of Functional Expenses for the years ended December 31, 2019 and 2018

	LEGAL SERVICES PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	2019 TOTAL
Donated professional services	\$ 3,471,460			\$ 3,471,460
Salaries and related expenses	2,438,398	\$ 204,780	\$ 26,699	2,669,877
Office rent and parking	342,399	28,755	3,749	374,903
Professional fees	36,564	133,492	298	170,354
Depreciation	79,737	6,696	873	87,306
Supplies	84,645	1,484	193	86,322
Travel and meetings	28,778	463	60	29,301
Professional development training and seminars	18,652	174	23	18,849
Equipment rental	11,353	953	124	12,430
Insurance	10,360	870	113	11,343
Other	8,079	8,409	903	17,391
Total expenses	<u>\$ 6,530,425</u>	<u>\$ 386,076</u>	<u>\$ 33,035</u>	<u>\$ 6,949,536</u>

	LEGAL SERVICES PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	2018 TOTAL
Donated professional services	\$ 5,157,649			\$ 5,157,649
Salaries and related expenses	2,178,385	\$ 358,793	\$ 25,628	2,562,806
Office rent and parking	308,385	50,793	3,628	362,806
Professional fees	28,008	205,192	221	233,421
Depreciation	64,326	10,595	757	75,678
Supplies	78,146	4,653	332	83,131
Travel and meetings	26,941	629	45	27,615
Professional development training and seminars	17,069	308	22	17,399
Equipment rental	10,175	1,676	120	11,971
Insurance	7,310	1,204	86	8,600
Other	29,285	7,948	357	37,590
Total expenses	<u>\$ 7,905,679</u>	<u>\$ 641,791</u>	<u>\$ 31,196</u>	<u>\$ 8,578,666</u>

*See accompanying notes to financial statements.*

## Houston Volunteer Lawyers Program, Inc.

### Statements of Cash Flows for the years ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 99,888	\$ 700,198
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	87,306	75,678
Loss on disposal of assets		2,093
Changes in operating assets and liabilities:		
Contributions and grants receivable	(223,033)	(211,721)
Prepaid expenses and other assets	1,815	(75,226)
Accounts payable and accrued expenses	23,268	(1,906)
Accrued lease expense	(43,229)	(40,677)
Refundable advances	112,838	63,500
IOLTA Trust account payable	<u>(52,403)</u>	<u>344</u>
Net cash provided by operating activities	<u>6,450</u>	<u>512,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(14,695)</u>	<u>(151,755)</u>
NET CHANGE IN CASH	(8,245)	360,528
Cash, beginning of year	<u>960,410</u>	<u>599,882</u>
Cash, end of year	<u>\$ 952,165</u>	<u>\$ 960,410</u>

*See accompanying notes to financial statements.*

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## Houston Volunteer Lawyers Program, Inc.

Notes to Financial Statements for the years ended December 31, 2019 and 2018

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston Volunteer Lawyers Program, Inc. (HVL) is a nonprofit corporation organized in 1983 under the laws of the State of Texas. HVL's primary purpose is to assist indigent individuals with obtaining needed legal assistance in Houston, Texas and the surrounding area. A majority of HVL's Board of Directors is appointed by an officer of the Houston Bar Association.

Federal income tax status – HVL is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash includes cash restricted by Interest on Lawyer Trust Accounts (IOLTA) to pay client fees. Held in a separate bank account, these balances are \$742 and \$53,145, respectively, at December 31, 2019 and 2018. Bank deposits exceed the federally insured limit per depositor per institution.

Contributions and grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At December 31, 2019, approximately 80% of contributions and grants receivable was from one donor. At December 31, 2018, approximately 99% of contributions and grants receivable was due from two donors. At December 31, 2019, all contributions and grants receivable are due to be collected within one year.

Property with a value of more than \$1,000 is recorded at cost if purchased or at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 7 years for furniture and equipment. Leasehold improvements are depreciated over the lease term of 11 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions and grants received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Non-cash contributions – Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated legal services are recognized based on hours reported by volunteer lawyers after they close cases to which they have been assigned. Donated materials and use of facilities are recognized as contributions at fair value when an unconditional commitment is received from the donor.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs, depreciation, occupancy costs, certain supplies, and insurance are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. HVL is required to adopt this ASU for fiscal year ending December 31, 2021. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

## **NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATES**

HVL adopted the amendments of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective January 1, 2019. The amendments in this ASU clarify and improve guidance about whether an agreement is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. These amendments have been applied on a modified prospective basis to agreements that were not completed as of the effective date or were entered into after the effective date. Government grants and other contracts revenue and receivable were combined with other contributions and grants revenue and receivable in the 2018 financial statements but no other changes were made and there is no cumulative effect on net assets at the effective date. Adoption of the ASU resulted in approximately \$1,702,626 of contributions and grants being disclosed as conditional at December 31, 2019 that would otherwise have been recognized during 2019 had the guidance not been adopted.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 952,165	\$ 960,410
Contributions and grants receivable	<u>1,253,900</u>	<u>1,030,867</u>
Total financial assets	2,206,065	1,991,277
Less donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>(91,806)</u>	<u>(172,078)</u>
Total financial assets available for general expenditure	<u>\$ 2,114,259</u>	<u>\$ 1,819,199</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, HVL considers all expenditures related to its ongoing activities to assist indigent individuals with obtaining needed legal assistance, as well as the conduct of services undertaken to support those activities, to be general expenditures.

HVL regularly monitors liquidity required to meet its operating needs and other contractual commitments. HVL's sources of liquidity include cash and receivables. HVL is substantially supported by contributions and grants and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

### NOTE 4 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 517,106	\$ 514,831
Furniture and equipment	<u>264,639</u>	<u>252,968</u>
Total property, at cost	781,745	767,799
Accumulated depreciation	<u>(400,164)</u>	<u>(313,607)</u>
Property, net	<u>\$ 381,581</u>	<u>\$ 454,192</u>

## NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Vets Services	\$ 150,000	
Program salaries	55,627	\$ 61,845
Legal services	33,340	670,514
Hurricane Harvey relief	24,639	345,731
Translation services	<u>18,006</u>	<u>22,078</u>
Total subject to expenditure for specified purpose	<u>281,612</u>	<u>1,100,168</u>
Subject to passage of time:		
Use in future years	<u>1,050,000</u>	<u>225,000</u>
Total net assets with donor restrictions	<u>\$ 1,331,612</u>	<u>\$ 1,325,168</u>

## NOTE 6 – DONATED LEGAL SERVICES

Donated legal services consist of approximately 13,350 and 19,840 hours of legal services valued at \$260 per hour in 2019 and 2018, respectively.

## NOTE 7 – CONTRIBUTIONS AND GRANTS

HVL recognized contributions and grants from the following sources:

	<u>2019</u>	<u>2018</u>
Houston Bar Foundation	\$ 2,000,000	\$ 975,000
Texas Access to Justice Foundation	229,834	966,230
Legal Services Corporation (under contract with Lone Star Legal Aid)	190,000	190,000
Hurricane Harvey Relief Fund of Greater Houston Community Foundation		700,000
Other	<u>1,144,487</u>	<u>1,258,163</u>
Total contributions	<u>\$ 3,564,321</u>	<u>\$ 4,089,393</u>

At December 31, 2019, HVL has conditional contributions and grants awards of approximately \$2,150,000 that will be recognized as revenue when the services are provided and qualifying expenses are incurred.

Grants from federal and state funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by HVL with the terms of the contracts. Management believes such disallowances, if any, would not be material to HVL's financial position or changes in net assets.

## NOTE 8 – DEFINED CONTRIBUTION PLAN

HVL sponsors a defined contribution plan for all employees over the age of 18 who have completed one year of service. HVL provides a 50% match of employee contributions up to 6% of salary. Contributions to this plan were approximately \$53,400 in 2019 and \$52,000 in 2018.

## NOTE 9 – LEASES

HVL leases office space and certain office equipment under non-cancellable operating leases. Future minimum lease payments are due as follows:

2020	\$ 157,650
2021	157,650
2022	157,650
2023	157,650
2024	151,953
Thereafter	<u>27,841</u>
Total	<u>\$ 810,394</u>

In 2014, HVL entered into a 132-month lease for its office space. Under the terms of the agreement, lease payments commenced six months after HVL began to occupy the space. The deferred lease expense was accrued and is being amortized over the life of the lease. In addition to base rent, HVL also is assessed a portion of lessor building operating costs which vary from year to year. Lease expense includes required building operating costs and in 2019 and 2018 was approximately \$338,000 and \$324,000, respectively.

## NOTE 10 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States.

The extent of the impact of COVID-19 on HVL's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on those served, donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while HVL expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through May 15, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## Houston Volunteer Lawyers Program, Inc.

Supplemental Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services  
Grant Revenue and Expenses for the grant period ended December 31, 2019 – Grant ID #10083344

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	BUDGET <u>9/1/19-8/31/21</u>	ACTUAL <u>9/1/19-12/31/19</u>	DIFFERENCE
Contributions and grant revenue	<u>\$ 1,932,460</u>	<u>\$ 229,834</u>	<u>\$ 1,702,626</u>
Expenses:			
Salaries and benefits	1,629,562	187,079	1,442,483
Space	132,498	23,632	108,866
Contractual services	64,500	9,729	54,771
Supplies	45,250	4,011	41,239
Audit	26,000	545	25,455
Travel	10,000	1,532	8,468
Equipment rental	7,000	1,338	5,662
Telephone	2,000	274	1,726
Other expenses	<u>15,650</u>	<u>1,694</u>	<u>13,956</u>
Total expenses	<u>1,932,460</u>	<u>229,834</u>	<u>1,702,626</u>
Net gain	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note: Grants received from TAJF are conditioned upon HVL incurring qualifying grant expenses while performing allowable activities. Effective December 1, 2019, contributions and grant revenue is recognized as with donor restrictions and is simultaneously released from donor restrictions as qualifying expenses are incurred. Expenses are recognized in the period incurred and include only those expenses funded by the grant during the period September 1, 2019 through December 31, 2019.

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## Houston Volunteer Lawyers Program, Inc.

Supplemental Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services  
Grant Revenue and Expenses for the grant period ended August 31, 2019 – Grant ID #10077088 and  
#10077088-VW

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	BUDGET	ACTUAL	DIFFERENCE
	<u>9/1/18-8/31/19</u>	<u>9/1/18-8/31/19</u>	
Contributions and grant revenue	\$ 987,796	\$ 987,796	\$ 0
Expenses:			
Salaries and benefits	813,309	813,309	
Space	87,172	87,172	
Contractual services	41,640	41,640	
Supplies	14,743	14,743	
Audit	12,310	12,458	(148)
Travel	8,309	8,316	(7)
Equipment rental	2,071	2,071	
Telephone	714	714	
Other expenses	<u>7,528</u>	<u>7,373</u>	<u>155</u>
Total expenses	<u>987,796</u>	<u>987,796</u>	<u>0</u>
Net gain	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note: Prior to December 1, 2019, grants received from TAJF were treated as unconditional and were recognized in full in the year the commitment was received. Donor-restricted contribution revenue for this grant award was recognized in 2018. Texas Access to Justice Foundation approved a carryover of approximately \$21,500 from the September 1, 2017 through August 31, 2018 grant period. Therefore, the original budget has been increased to report this carryover in the September 1, 2018 through August 31, 2019 grant period. Expenses are recognized in the period incurred and include only those expenses funded by the grant during the period September 1, 2018 through August 31, 2019.

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## Houston Volunteer Lawyers Program, Inc.

### Supplemental Schedule of Legal Services Corporation – Private Attorney Involvement Expenses for the year ended December 31, 2019

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Salaries and related expenses	\$ 153,022
Rent	20,284
Professional fees	5,695
Audit	2,768
Supplies	870
Other	<u>7,361</u>
Total expenses	<u>\$ 190,000</u>

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**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  
Houston Volunteer Lawyers Program, 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 Houston Volunteer Lawyers Program, Inc. (HVL), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HVL'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blazek & Vetterling*

May 15, 2020

**Independent Auditors' Report on Compliance  
with the *Basic Civil Legal Services (BCLS) Program  
Compliance Supplement and on Internal Control Over Compliance***

To the Board of Directors of  
Houston Volunteer Lawyers Program, Inc.:

**Report on Compliance for the BCLS Program**

We have audited Houston Volunteer Lawyers Program, Inc.'s (HVL) compliance with the types of compliance requirements described in the *BCLS Compliance Supplement* that could have a direct and material effect on HVL's BCLS Program for the year ended December 31, 2019.

***Management's Responsibility***

Management is responsible for compliance with the requirements of state statutes, regulations, contracts, and the terms and conditions of its BCLS Program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on HVL's compliance with the *BCLS Compliance Supplement*. 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 suggested auditing procedures included in the *BCLS Compliance Supplement*. Those standards and the *BCLS Compliance Supplement* 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 the BCLS Program occurred. An audit includes examining, on a test basis, evidence about HVL'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 HVL's BCLS Program. However, our audit does not provide a legal determination of HVL's compliance.

***Unqualified Opinion on the BCLS Program***

In our opinion, HVL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the BCLS Program for the year ended December 31, 2019.

**Report on Internal Control Over Compliance**

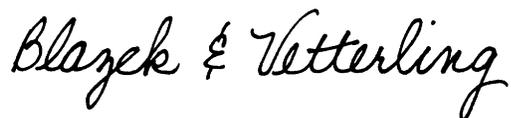
Management of HVL is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HVL's internal control over compliance with the types of

requirements that could have a direct and material effect on its BCLS Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for that program and to test and report on internal control over compliance in accordance with the *BCLS Compliance Supplement*, 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 HVL'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 the BCLS Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the BCLS 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 the BCLS 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 *BCLS Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Blazek & Vetterling". The signature is written in a cursive, flowing style.

May 15, 2020

**Independent Auditors' Report on Compliance  
with the *Legal Services Corporation (LSC) Compliance Supplement  
for Audits of LSC Recipients and on Internal Control Over Compliance***

To the Board of Directors of  
Houston Volunteer Lawyers Program, Inc.:

**Report on Compliance for the PAI Program**

We have audited Houston Volunteer Lawyers Program, Inc.'s (HVL) compliance with the types of compliance requirements described in the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients* that could have a direct and material effect on HVL's Private Attorney Involvement (PAI) Program for the year ended December 31, 2019.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, contracts, and the terms and conditions of its PAI Program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on HVL's compliance with the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*. 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 suggested auditing procedures included in the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*. Those standards and the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients* 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 the PAI Program occurred. An audit includes examining, on a test basis, evidence about HVL'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 HVL's PAI Program. However, our audit does not provide a legal determination of HVL's compliance.

***Unqualified Opinion on the PAI Program***

In our opinion, HVL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PAI Program for the year ended December 31, 2019.

## Report on Internal Control Over Compliance

Management of HVL 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 HVL's internal control over compliance with the types of requirements that could have a direct and material effect on its PAI Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for that program and to test and report on internal control over compliance in accordance with the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*, 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 HVL'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 the PAI Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the PAI 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 the PAI 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 *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*. Accordingly, this report is not suitable for any other purpose.



May 15, 2020