

Houston Volunteer Lawyers Program, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Houston Volunteer Lawyers Program, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020 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.

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, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the Supplemental Schedules of Texas Access to Justice Foundation – Basic Civil Legal Services Grant Contribution Revenue and Expenses and the Supplemental Schedule of Legal Services Corporation – Private Attorney Involvement Expenses for the year ended December 31, 2021 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 April 19, 2022, 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

April 19, 2022

Houston Volunteer Lawyers Program, Inc.

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,616,469	\$ 1,382,226
Contributions receivable	1,209,843	1,248,202
Prepaid expenses and other assets	104,220	124,474
Property, net (<i>Note 3</i>)	<u>206,449</u>	<u>295,017</u>
 TOTAL ASSETS	 <u>\$ 3,136,981</u>	 <u>\$ 3,049,919</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 130,099	\$ 145,467
Deferred lease expense (<i>Note 8</i>)	165,377	216,262
Refundable advances	605,809	522,968
IOLTA Trust account payable (<i>Note 1</i>)	<u>2,244</u>	<u>933</u>
Total liabilities	<u>903,529</u>	<u>885,630</u>
Commitments and contingencies (<i>Notes 6 and 8</i>)		
Net assets:		
Without donor restrictions	1,060,464	800,755
With donor restrictions (<i>Note 4</i>)	<u>1,172,988</u>	<u>1,363,534</u>
Total net assets	<u>2,233,452</u>	<u>2,164,289</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,136,981</u>	 <u>\$ 3,049,919</u>

See accompanying notes to financial statements.

Houston Volunteer Lawyers Program, Inc.

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Donated legal services <i>(Note 5)</i>	\$ 8,721,724		\$ 8,721,724
Government grants – cost reimbursement <i>(Note 6)</i>		\$ 1,658,286	1,658,286
Other <i>(Note 6)</i>	<u>54,502</u>	<u>1,276,813</u>	<u>1,331,315</u>
Total revenue	8,776,226	2,935,099	11,711,325
Net assets released from restrictions:			
Expenditure for program purposes	1,950,645	(1,950,645)	
Expiration of time restrictions	<u>1,175,000</u>	<u>(1,175,000)</u>	
Total	<u>11,901,871</u>	<u>(190,546)</u>	<u>11,711,325</u>
EXPENSES:			
Legal services program	11,166,249		11,166,249
Management and general	447,075		447,075
Fundraising	<u>28,838</u>		<u>28,838</u>
Total expenses	<u>11,642,162</u>		<u>11,642,162</u>
CHANGES IN NET ASSETS	259,709	(190,546)	69,163
Net assets, beginning of year	<u>800,755</u>	<u>1,363,534</u>	<u>2,164,289</u>
Net assets, end of year	<u>\$ 1,060,464</u>	<u>\$ 1,172,988</u>	<u>\$ 2,233,452</u>

See accompanying notes to financial statements.

Houston Volunteer Lawyers Program, Inc.

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Donated legal services (<i>Note 5</i>)	\$ 1,502,176		\$ 1,502,176
Government grants (<i>Note 6</i>)		\$ 1,689,079	1,689,079
Other (<i>Note 6</i>)	<u>71,714</u>	<u>1,335,450</u>	<u>1,407,164</u>
Total revenue	1,573,890	3,024,529	4,598,419
Net assets released from restrictions:			
Expenditure for program purposes	2,017,607	(2,017,607)	
Expiration of time restrictions	<u>975,000</u>	<u>(975,000)</u>	
Total	<u>4,566,497</u>	<u>31,922</u>	<u>4,598,419</u>
EXPENSES:			
Legal services program	4,071,643		4,071,643
Management and general	465,940		465,940
Fundraising	<u>36,352</u>		<u>36,352</u>
Total expenses	<u>4,573,935</u>		<u>4,573,935</u>
CHANGES IN NET ASSETS	(7,438)	31,922	24,484
Net assets, beginning of year	<u>808,193</u>	<u>1,331,612</u>	<u>2,139,805</u>
Net assets, end of year	<u>\$ 800,755</u>	<u>\$ 1,363,534</u>	<u>\$ 2,164,289</u>

See accompanying notes to financial statements.

Houston Volunteer Lawyers Program, Inc.

Statements of Functional Expenses for the years ended December 31, 2021 and 2020

	LEGAL SERVICES PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL
Donated professional services	\$ 8,721,724			\$ 8,721,724
Salaries and related expenses	1,894,354	\$ 291,899	\$ 22,083	2,208,336
Office rent and parking	263,253	40,565	3,069	306,887
Professional fees	69,270	73,665	350	143,285
Supplies	97,257	14,061	1,064	112,382
Depreciation	73,673	11,352	859	85,884
Equipment rental	14,075	2,169	164	16,408
Insurance	11,787	1,816	137	13,740
Professional development training and seminars	6,403	157	12	6,572
Travel and meetings	3,375	264	20	3,659
Other	<u>11,078</u>	<u>11,127</u>	<u>1,080</u>	<u>23,285</u>
Total expenses	<u>\$11,166,249</u>	<u>\$ 447,075</u>	<u>\$ 28,838</u>	<u>\$11,642,162</u>

	LEGAL SERVICES PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	2020 TOTAL
Donated professional services	\$ 1,502,176			\$ 1,502,176
Salaries and related expenses	2,033,644	\$ 299,273	\$ 23,565	2,356,482
Office rent and parking	275,118	40,487	3,188	318,793
Professional fees	47,278	98,151	328	145,757
Supplies	85,988	10,475	825	97,288
Depreciation	74,704	10,994	866	86,564
Equipment rental	14,441	2,125	167	16,733
Insurance	12,306	1,811	143	14,260
Professional development training and seminars	8,120	431	34	8,585
Travel and meetings	5,640	197	15	5,852
Other	<u>12,228</u>	<u>1,996</u>	<u>7,221</u>	<u>21,445</u>
Total expenses	<u>\$ 4,071,643</u>	<u>\$ 465,940</u>	<u>\$ 36,352</u>	<u>\$ 4,573,935</u>

See accompanying notes to financial statements.

Houston Volunteer Lawyers Program, Inc.

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 69,163	\$ 24,484
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	85,884	86,564
Loss on disposal of property	2,684	
Changes in operating assets and liabilities:		
Contributions receivable	38,359	5,698
Prepaid expenses and other assets	20,254	(14)
Accounts payable and accrued expenses	(15,368)	17,394
Deferred lease expense	(50,885)	(50,886)
Refundable advances	82,841	346,630
IOLTA Trust account payable	<u>1,311</u>	<u>191</u>
Net cash provided by operating activities	<u>234,243</u>	<u>430,061</u>
NET CHANGE IN CASH	234,243	430,061
Cash, beginning of year	<u>1,382,226</u>	<u>952,165</u>
Cash, end of year	<u>\$ 1,616,469</u>	<u>\$ 1,382,226</u>

See accompanying notes to financial statements.

Houston Volunteer Lawyers Program, Inc.

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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 promote access to justice for individuals in Houston, Texas, and the surrounding area, by assisting those who cannot afford legal representation in civil matters. 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 \$2,244 and \$933, respectively, at December 31, 2021 and 2020. Bank deposits exceed the federally insured limit per depositor per institution.

Contributions 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. Amortization of discounts is included in contribution revenue. At December 31, 2021 and 2020, approximately 91% and 88% of contributions receivable was from one donor, respectively. At December 31, 2021, all contributions receivable are due to be collected within one year.

Property with a value of more than \$5,000 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 are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions 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 at fair value based on hours reported by volunteer lawyers. 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 pronouncements – 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. The ASU is effective for fiscal periods beginning after December 15, 2021.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal periods beginning after June 15, 2021 and requires retrospective application.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 1,616,469	\$ 1,382,226
Contributions receivable	<u>1,209,843</u>	<u>1,248,202</u>
Total financial assets	2,826,312	2,630,428
Less:		
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(18,479)	(43,998)
IOLTA Trust	<u>(2,244)</u>	<u>(933)</u>
Total financial assets available for general expenditure	<u>\$ 2,805,589</u>	<u>\$ 2,585,497</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 is substantially supported by contributions and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 517,106	\$ 517,106
Furniture and equipment	<u>257,639</u>	<u>264,639</u>
Total property, at cost	774,745	781,745
Accumulated depreciation	<u>(568,296)</u>	<u>(486,728)</u>
Property, net	<u>\$ 206,449</u>	<u>\$ 295,017</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Vets services	\$ 43,433	\$ 69,131
Translation services	18,679	17,420
Legal services	7,415	42,179
Program salaries		59,804
Other	<u>3,461</u>	<u> </u>
Total subject to expenditure for specified purpose	<u>72,988</u>	<u>188,534</u>
Subject to passage of time:		
Use in future years	<u>1,100,000</u>	<u>1,175,000</u>
Total net assets with donor restrictions	<u>\$ 1,172,988</u>	<u>\$ 1,363,534</u>

NOTE 5 – DONATED LEGAL SERVICES

Donated legal services consist of approximately 18,759 and 5,778 hours of legal services for the years ended December 31, 2021 and 2020, respectively. The per hour valuation for the year ended December 31, 2021 was based on the hourly rate if provided by the volunteer attorneys; when the hourly rate was not provided, HVL used the estimated average rate of \$260 per hour. The per hour valuation for the year ended December 31, 2020 is based on an estimated average rate of \$260 per hour.

NOTE 6 – CONTRIBUTIONS – GOVERNMENT GRANTS AND OTHER

HVL recognized contributions from the following sources:

	<u>2021</u>	<u>2020</u>
Houston Bar Foundation	\$ 1,100,000	\$ 1,100,000
Texas Access to Justice Foundation	1,137,113	911,346
Legal Services Corporation (under contract with Lone Star Legal Aid)	190,000	190,000
Other	<u>562,488</u>	<u>894,897</u>
Total contributions	<u>\$ 2,989,601</u>	<u>\$ 3,096,243</u>

At December 31, 2021, HVL has conditional contribution awards of approximately \$2,416,000 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 7 – DEFINED CONTRIBUTION PLAN

Prior to July 2021, HVL sponsored a defined contribution plan for all employees over the age of 18 who had completed one year of service. HVL provided a 50% match of employee contributions up to 6% of salary.

Effective July 2021, changes were made to the defined contribution plan, including increasing the age requirement to 21, removing the service requirement, and changing HVL's match to 100% of employee contributions up to 5%.

Contributions to this plan were approximately \$67,800 in 2021 and \$52,600 in 2020.

NOTE 8 – LEASES

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

2022	\$ 157,654
2023	157,654
2024	151,957
2025	<u>23,819</u>
Total	<u>\$ 491,084</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 2021 and 2020 of approximately \$289,000 and \$307,000 respectively.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no 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 Contribution Revenue and Expenses for the grant period ended December 31, 2021 – Grant ID #10087674

	BUDGET 9/1/21-8/31/23	ACTUAL 9/1/21-12/31/21	DIFFERENCE
Contributions and grant revenue	\$ 1,932,460	\$ 103,935	\$ 1,828,525
Expenses:			
Salaries and benefits	1,629,600	40,540	1,589,060
Space	132,498	50,995	81,503
Contractual services	81,912	6,067	75,845
Supplies	27,800	273	27,527
Audit	26,000	817	25,183
Travel	10,000		10,000
Equipment rental	7,000	1,236	5,764
Telephone	2,000	2,252	(252)
Other expenses	<u>15,650</u>	<u>1,755</u>	<u>13,895</u>
Total expenses	<u>1,932,460</u>	<u>103,935</u>	<u>1,828,525</u>
Net gain	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note: Grants received from the Texas Access to Justice Foundation (TAJF) are conditioned upon HVL incurring qualifying grant expenses while performing allowable activities. Expenses are recognized in the period incurred and include only those expenses funded by the grant during the period September 1, 2021 through December 31, 2021.

Houston Volunteer Lawyers Program, Inc.

Supplemental Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services
Grant Contribution Revenue and Expenses for the grant period ended December 31, 2021 – Grant ID #10083344

	BUDGET 9/1/19-8/28/22	ACTUAL 9/1/19-12/31/20	ACTUAL 1/1/21-12/31/21	DIFFERENCE
Contributions and grant revenue	\$ 1,932,460	\$ 1,032,578	\$ 782,008	\$ 117,874
Expenses:				
Salaries and benefits	1,654,448	842,451	694,603	117,394
Space	151,798	118,148	37,985	(4,335)
Contractual services	56,583	35,857	16,824	3,902
Supplies	10,639	7,945	3,600	(906)
Audit	25,400	10,395	13,502	1,503
Travel	3,821	3,251	370	200
Equipment rental	8,200	5,126	3,801	(727)
Telephone	7,300	2,009	4,476	815
Other expenses	14,271	7,396	6,847	28
Total expenses	<u>1,932,460</u>	<u>1,032,578</u>	<u>782,008</u>	<u>117,874</u>
Net gain	\$ <u>0</u>	\$ <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. Expenses are recognized in the period incurred and include only those expenses funded by the grant during the periods indicated. The original grant period was September 1, 2019 through August 31, 2021. However, HVL was unable to fully utilize the grant funds by August 31, 2021 due to the COVID-19 pandemic and TAJF extended the grant period to August 28, 2022.

Houston Volunteer Lawyers Program, Inc.

Supplemental Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services – LAV
(Legal Aid to Veterans)

Grant Contribution Revenue and Expenses for the grant period ended December 31, 2021 – Grant ID #10087675

	BUDGET <u>9/1/21-8/31/23</u>	ACTUAL <u>9/1/21-12/31/21</u>	<u>DIFFERENCE</u>
Contributions and grant revenue	\$ 234,566	\$ 15,848	\$ 218,718
Expenses:			
Salaries and benefits	202,100	8,568	193,532
Space	5,400	5,400	
Contractual services	900	985	(85)
Supplies	3,200	30	3,170
Audit	600	108	492
Travel	8,566		8,566
Equipment rental	300	305	(5)
Telephone	300	253	47
Other expenses	<u>13,200</u>	<u>199</u>	<u>13,001</u>
Total expenses	<u>234,566</u>	<u>15,848</u>	<u>218,718</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. Expenses are recognized in the period incurred and include only those expenses funded by the grant during the period September 1, 2021 through December 31, 2021.

Houston Volunteer Lawyers Program, Inc.

Supplemental Schedule of Legal Services Corporation – Private Attorney Involvement
Expenses for the year ended December 31, 2021

Salaries and related expenses	\$ 146,977
Rent	27,044
Audit	6,857
Professional fees	3,018
Other	<u>6,104</u>
Total expenses	<u>\$ 190,000</u>

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, 2021 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 April 19, 2022.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HVL'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

April 19, 2022

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

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

Report on Compliance for the BCLS Program

Opinion on BCLS Program

We have audited Houston Volunteer Lawyers Program, Inc.'s (HVL) compliance with the types of compliance requirements described in the *BCLS Program Compliance Supplement* that could have a direct and material effect on HVL's BCLS Program for the year ended December 31, 2021.

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, 2021.

Basis for Opinion on BCLS Program

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 Program Compliance Supplement*. Our responsibilities under those standards and the *BCLS Program Compliance Supplement* are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HVL's BCLS Program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

opinion on HVL's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the suggested auditing procedures included in the *BCLS Program Compliance Supplement* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HVL's compliance with the requirements of the BCLS Program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *BCLS Program Compliance Supplement*, we:

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

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

Report on Internal Control Over Compliance

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

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

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

Blazek & Vetterling

April 19, 2022

**Independent Auditors' Report on Compliance
for the Private Attorney Involvement Program (PAI)
and Report on Internal Control Over Compliance Required by the
*Legal Services Corporation (LSC) Compliance Supplement
for Audits of LSC Recipients***

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

Report on Compliance for the PAI Program

Opinion on 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 (LSC) Compliance Supplement for Audits of LSC Recipients* that could have a direct and material effect on HVL's PAI Program for the year ended December 31, 2021.

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, 2021.

Basis for Opinion on PAI Program

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*. Our responsibilities under those standards and the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients* are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HVL's PAI Program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HVL's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the suggested auditing procedures included in the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HVL's compliance with the requirements of the PAI Program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*, we:

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Legal Services Corporation Compliance Supplement for Audits of LSC Recipients*. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

April 19, 2022