



**Houston Volunteer Lawyers Program, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Houston Volunteer Lawyers Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements present fairly, in all material respects, the financial position of Houston Volunteer Lawyers Program, Inc. as of December 31, 2022, 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.

#### ***Basis of Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, effective January 1, 2022, HVL adopted ASC 842 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Our opinion was not modified with respect to this matter.

#### ***Prior Period Financial Statements***

The financial statements of Houston Volunteer Lawyers Program, Inc. as of December 31, 2021 were audited by other auditors whose report dated April 19, 2022 expressed an unmodified opinion on those statements.

### ***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 as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of State of Texas awards, as required by Texas Grant Management Standards is also 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 supplementary schedules and the schedule of expenditures of State of Texas awards are 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 April 14, 2023, 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.

*Carr, Rigg & Ingram, L.L.C.*

Houston, Texas  
April 14, 2023

**Houston Volunteer Lawyers Program, Inc.**  
**Statements of Financial Position**

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash	\$ 1,648,260	\$ 1,616,469
Contributions receivable	1,305,161	1,209,843
Prepaid expenses and other assets	86,777	104,220
Total current assets	<b>3,040,198</b>	2,930,532
Property and equipment, net	126,987	206,449
Operating lease right of use assets, net	251,691	-
Total assets	<b>\$ 3,418,876</b>	\$ 3,136,981
<b>Liabilities and Net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 113,370	\$ 130,099
Deferred lease expense	-	165,377
Refundable advances	308,791	605,809
IOLTA Trust account payable	2,214	2,244
Current portion of operating lease liabilities	153,125	-
Total current liabilities	<b>577,500</b>	903,529
Long-term operating lease liabilities, net of current maturities	196,693	-
Total liabilities	<b>774,193</b>	903,529
Net assets		
Without donor restrictions	1,314,963	1,060,464
With donor restrictions	1,329,720	1,172,988
Total net assets	<b>2,644,683</b>	2,233,452
Total liabilities and net assets	<b>\$ 3,418,876</b>	\$ 3,136,981

*The accompanying notes are an integral part of these financial statements.*

**Houston Volunteer Lawyers Program, Inc.**  
**Statement of Activities**

<i>For the year ended December 31,</i>	<b>2022</b>		
	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>Support and Revenue</b>			
Contributions of non-financial assets - donated legal services	\$ 12,688,217	\$ -	\$ <b>12,688,217</b>
Government grants - cost reimbursement	-	1,783,428	<b>1,783,428</b>
Other	64,431	1,606,630	<b>1,671,061</b>
Net assets released from restrictions			
Expenditure for program purposes	1,983,326	(1,983,326)	-
Expenditure of time restrictions	1,250,000	(1,250,000)	-
<b>Total support and revenue</b>	<b>15,985,974</b>	<b>156,732</b>	<b>16,142,706</b>
<b>Expenses</b>			
Legal services program	15,248,003	-	<b>15,248,003</b>
Management and general	451,791	-	<b>451,791</b>
Fundraising	31,681	-	<b>31,681</b>
<b>Total expenses</b>	<b>15,731,475</b>	<b>-</b>	<b>15,731,475</b>
<b>Changes in net assets</b>	<b>254,499</b>	<b>156,732</b>	<b>411,231</b>
<b>Net assets, beginning of year</b>	<b>1,060,464</b>	<b>1,172,988</b>	<b>2,233,452</b>
<b>Net assets, end of year</b>	<b>\$ 1,314,963</b>	<b>\$ 1,329,720</b>	<b>\$ 2,644,683</b>

*The accompanying notes are an integral part of these financial statements.*

## Houston Volunteer Lawyers Program, Inc. Statement of Activities

<i>For the year ended December 31,</i>	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions of non-financial assets - donated legal services	\$ 8,721,724	\$ -	\$ 8,721,724
Government grants - cost reimbursement	-	1,658,286	1,658,286
Other	54,502	1,276,813	1,331,315
Net assets released from restrictions			
Expenditure for program purposes	1,950,645	(1,950,645)	-
Expenditure of time restrictions	1,175,000	(1,175,000)	-
<b>Total support and revenue</b>	<b>11,901,871</b>	<b>(190,546)</b>	<b>11,711,325</b>
<b>Expenses</b>			
Legal services program	11,166,249	-	11,166,249
Management and general	447,075	-	447,075
Fundraising	28,838	-	28,838
<b>Total expenses</b>	<b>11,642,162</b>	<b>-</b>	<b>11,642,162</b>
<b>Changes in net assets</b>	<b>259,709</b>	<b>(190,546)</b>	<b>69,163</b>
<b>Net assets, beginning of year</b>	<b>800,755</b>	<b>1,363,534</b>	<b>2,164,289</b>
<b>Net assets, end of year</b>	<b>\$ 1,060,464</b>	<b>\$ 1,172,988</b>	<b>\$ 2,233,452</b>

*The accompanying notes are an integral part of these financial statements.*



## Houston Volunteer Lawyers Program, Inc. Statements of Functional Expenses

<b><i>For the year ended December 31, 2022</i></b>	Legal Services Program	Management and General	Fundraising	Total
Donated professional services	\$ 12,688,217	\$ -	\$ -	<b>\$ 12,688,217</b>
Salaries and related expenses	1,959,561	301,948	22,844	<b>2,284,353</b>
Office rent and parking	314,027	48,388	3,661	<b>366,076</b>
Professional fees	76,659	71,440	503	<b>148,602</b>
Supplies	88,072	12,996	983	<b>102,051</b>
Depreciation expense	68,164	10,503	795	<b>79,462</b>
Equipment rental	12,991	2,002	151	<b>15,144</b>
Insurance	7,790	1,200	91	<b>9,081</b>
Professional development training and seminars	10,458	319	24	<b>10,801</b>
Travel and meetings	7,665	948	72	<b>8,685</b>
Other	14,399	2,047	2,557	<b>19,003</b>
<b>Total expenses</b>	<b>\$ 15,248,003</b>	<b>\$ 451,791</b>	<b>\$ 31,681</b>	<b>\$ 15,731,475</b>

<b><i>For the year ended December 31, 2021</i></b>	Legal Services Program	Management and General	Fundraising	Total
Donated professional services	\$ 8,721,724	\$ -	\$ -	<b>\$ 8,721,724</b>
Salaries and related expenses	1,894,354	291,899	22,083	<b>2,208,336</b>
Office rent and parking	263,253	40,565	3,069	<b>306,887</b>
Professional fees	69,270	73,665	350	<b>143,285</b>
Supplies	97,257	14,061	1,064	<b>112,382</b>
Depreciation expense	73,673	11,352	859	<b>85,884</b>
Equipment rental	14,075	2,169	164	<b>16,408</b>
Insurance	11,787	1,816	137	<b>13,740</b>
Professional development training and seminars	6,403	157	12	<b>6,572</b>
Travel and meetings	3,375	264	20	<b>3,659</b>
Other	11,078	11,127	1,080	<b>23,285</b>
<b>Total expenses</b>	<b>\$ 11,166,249</b>	<b>\$ 447,075</b>	<b>\$ 28,838</b>	<b>\$ 11,642,162</b>

*The accompanying notes are an integral part of these financial statements.*

**Houston Volunteer Lawyers Program, Inc.**  
**Statements of Cash Flows**

<i>For the years ended December 31,</i>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Change in net assets	\$ 411,231	\$ 69,163
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	79,462	85,884
Amortization of right of use assets	96,019	-
Loss on disposal of property	-	2,684
Changes in operating assets and liabilities:		
Contributions receivable	(95,318)	38,359
Prepaid expenses and other assets	5,534	20,254
Accounts payable and accrued expenses	(16,729)	(15,368)
Operating lease liabilities	(151,360)	-
Deferred lease expense	-	(50,885)
Refundable advances	(297,018)	82,841
IOLTA Trust account payable	(30)	1,311
Net cash provided by operating activities	<b>31,791</b>	234,243
Net change in cash	<b>31,791</b>	234,243
Cash, beginning of year	<b>1,616,469</b>	1,382,226
Cash, end of year	<b>\$ 1,648,260</b>	\$ 1,616,469

*The accompanying notes are an integral part of these financial statements.*

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### **NOTE 1: 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.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to donated services, collectability of receivables and functional allocation of expenses.

#### ***Cash***

Cash includes cash restricted by Interest on Lawyer Trust Accounts (IOLTA) to pay client fees which are held in a separate bank account. As of December 31, 2022 and 2021, restricted cash totaled \$2,214 and \$2,244, respectively.

#### ***Contributions Receivable***

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, 2022, all contributions receivable are due to be collected within one year.

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Property and Equipment***

Property and equipment 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. Maintenance and repairs are charged to expense while expenditures for improvements that extend the useful life of the assets are capitalized.

#### ***Leases***

HVL leases office space and copiers. HVL determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use (ROU) assets and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, HVL has made the accounting policy election to apply the risk-free rate as the discount rate at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that HVL will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

HVL's lease agreements may contain lease and non-lease components, which are generally accounted for separately. HVL has accounted for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of certain non-lease components is typically revised from one period to the next. The variable lease payments, which are primarily comprised of common area maintenance, utilities and real estate taxes, are recognized in office rent in the period in which the obligation for those payments was incurred.

HVL lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### ***Net Assets***

HVL reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of HVL, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

#### ***Revenue Recognition***

HVL recognizes contributions when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met or the donor has explicitly removed the conditions.

A portion of HVL's revenue is derived from government agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Amounts received are recognized as revenue when HVL has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. HVL recorded refundable advance as of December 31, 2022 and 2021 totaling \$308,791 and \$605,809, respectively.

#### ***Donated Services and Materials***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HVL.

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***

Donated professional services, travel and meetings and certain supplies expenses and professional fees can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated on the basis of estimated time and effort expended.

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Income Taxes***

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) of the IRC. Therefore, no provision for Federal income tax has been made in these financial statements.

HVL accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2022 and 2021, management believes there are no uncertain tax positions.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued on April 14, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Newly Adopted Accounting Pronouncements***

##### Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. HVL adopted this standard on January 1, 2022. The standard did not have a material impact on the financial statements. HVL has updated disclosures as necessary (See Note 7).

##### Leases

In February 2016, the FASB issued guidance ASC 842, Leases to increase transparency and comparability among organizations by requiring the recognition of right of use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HVL adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

HVL elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, HVL recognized on January 1, 2022, a lease liability of \$501,178, which represents the present value of the remaining operating lease payments, discounted using the applicable risk-free rate, and right of use assets of \$347,710, which represents the operating lease liability of \$501,178 adjusted for accrued rent of \$11,909 and unamortized deferred rent and tenant improvement allowance of \$44,737 and \$120,640, respectively.

The standard had a material impact on HVL's statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

### NOTE 3: 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:

<i>December 31,</i>	<b>2022</b>	2021
Cash	\$ 1,648,260	\$ 1,616,469
Contributions receivable	1,305,161	1,209,843
<b>Total financial assets</b>	<b>2,953,421</b>	2,826,312
Less:		
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(18,223)	(18,479)
IOLTA Trust	(2,214)	(2,244)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,932,984</b>	<b>\$ 2,805,589</b>

## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 4: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following:

<i>December 31,</i>	<u>Life (Years)</u>	<b>2022</b>	2021
Leasehold improvements	11	\$ 517,106	\$ 517,106
Furniture and equipment	3-7	<b>257,639</b>	257,639
		<b>774,745</b>	774,745
Less: accumulated depreciation		<b>(647,758)</b>	(568,296)
<b>Total property and equipment, net</b>		<b>\$ 126,987</b>	\$ 206,449

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$79,462 and \$85,884, respectively.

### Note 5: LEASES

#### Lease commitments before adoption of ASC 842

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

<i>For the years ending December 31,</i>		
2022	\$	157,654
2023		157,654
2024		151,957
2025		23,819
<b>Total</b>	<b>\$</b>	<b>491,084</b>



## Houston Volunteer Lawyers Program, Inc. Notes to Financial Statements

### Note 5: LEASES (Continued)

In 2014, HVL entered into a 132-month lease for its office space expiring in April 2025. 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. For the year ended December 31, 2021, lease expense and required building costs totaled approximately \$289,000.

#### Lease commitments after adoption of ASC 842

In 2014, HVL entered into a non-cancelable operating lease for office space that expires in April 2025, with options to renew for another five to ten years. The options to renew were not included in the measurement of the lease liability as HVL believes the lease options are not reasonably certain to be exercised. Monthly payment includes base rent plus a proportionate share of building operating expenses (variable non-lease component).

In December 2018 and July 2019, HVL entered into non-cancelable operating leases for two copiers that expire in May 2024 and September 2024, respectively, with options to automatically renew for another 12 months. The option to renew was not included in the measurement of the lease liabilities as HVL believes the lease options are not reasonably certain to be exercised. The combined base monthly payment of \$1,228 also includes maintenance services (non-lease component).

Lease cost for the year ended December 31, 2022 includes \$102,303 in fixed costs and approximately \$211,500 in variable costs have been reported as office rent and parking (office space) and equipment rental (copiers) in the accompanying statements of functional expenses.

Future minimum lease payments under non-cancellable operating leases were as follows:

*For the years ending December 31,*

2023	\$	157,644
2024		151,280
2025		47,635
Total future minimum lease payments		356,559
Less: imputed interest		(6,741)
Present value of lease liabilities		\$ 349,818

**Houston Volunteer Lawyers Program, Inc.**  
**Notes to Financial Statements**

**Note 5: LEASES (Continued)**

Other information related to leases is as follows:

<i>For the year ended December 31,</i>	<b>2022</b>
<b>Cash flow information:</b>	
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 157,644
<b>Lease term and discount rate:</b>	
Weighted average remaining lease term	2.28 years
Weighted average discount rate	1.61%

**NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

<i>December 31,</i>	<b>2022</b>	2021
Net assets subject to expenditure for specific purpose		
Veteran services	\$ 1,152	\$ 43,433
Other	2,749	3,461
Legal services	7,415	7,415
Translation services	13,144	18,679
Program salaries	55,260	-
Total subject to expenditure for specific purpose	<b>79,720</b>	72,988
Net assets subject to passage of time - usage in future years	<b>1,250,000</b>	1,100,000
Total net assets with donor restrictions	<b>\$ 1,329,720</b>	\$ 1,172,988

**NOTE 7: DONATED LEGAL SERVICES**

Contributed nonfinancial assets recognized within the statements of activities included \$12,688,217 and \$8,721,724 of donated legal services consisting of approximately 26,635 and 18,759 hours of legal services for the years ended December 31, 2022 and 2021, respectively. The per hour valuation for the years ended December 31, 2022 and 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. There were no donor imposed restrictions on donated services and all donated services were able to be used by HVL.

**Houston Volunteer Lawyers Program, Inc.**  
**Notes to Financial Statements**

**NOTE 8: CONTRIBUTIONS – GOVERNMENT GRANTS AND OTHER**

HVL recognized contributions from the following sources:

<i>December 31,</i>	<b>2022</b>	2021
Texas Access to Justice Foundation	\$ 1,300,465	\$ 1,137,113
Houston Bar Foundation	1,100,000	1,100,000
Legal Service Corporation (under contract with Lone Star Legal Aid)	250,000	190,000
Houston Endowment	300,000	-
Other	504,024	562,488
	<b>\$ 3,454,489</b>	<b>\$ 2,989,601</b>

At December 31, 2022, HVL has conditional contribution awards of approximately \$1,030,000 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 9: 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 \$66,500 and \$67,800 in 2022 and 2021, respectively.

**Houston Volunteer Lawyers Program, Inc.**  
**Notes to Financial Statements**

**NOTE 10: CONCENTRATION OF CREDIT RISK**

Cash is maintained at one financial institution in Houston, Texas. The balances, at times, may exceed federally insured limits, but this risk has been mitigated by the financial strength of the institution in which the deposits are held.

For the years ended December 31, 2022 and 2021, two donors accounted for approximately 70% and 75% of total contributions, respectively.

At December 31, 2022 and 2021, approximately 96% and 91% of contributions receivable was from two donors and one donor, respectively.

## **Supplemental Information**

**Houston Volunteer Lawyers Program, Inc.**  
**Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services**  
**Grant Contribution Revenue and Expenses – Grant ID #10087674**

	BUDGET		ACTUAL		ACTUAL		DIFFERENCE
	9/1/21-8/31/23		9/1/21-12/31/21		1/1/22-12/31/22		
Contributions and grant revenue	\$ 1,932,460	\$	103,935	\$	908,417	\$	920,108
Expenses:							
Salaries and benefits	1,629,600		40,540		772,774		816,286
Space	132,498		50,995		81,503		-
Contractual services	81,912		6,067		21,738		54,107
Supplies	27,800		273		4,180		23,347
Audit	26,000		817		16,519		8,664
Travel	10,000		-		391		9,609
Equipment rental	7,000		1,236		2,800		2,964
Telephone	2,000		2,252		-		(252)
Other expenses	15,650		1,755		8,512		5,383
<b>Total expenses</b>	<b>1,932,460</b>		<b>103,935</b>		<b>908,417</b>		<b>920,108</b>
<b>Change in net assets</b>	<b>\$ -</b>	\$	<b>-</b>	\$	<b>-</b>	\$	<b>-</b>

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 for the periods indicated.

**Houston Volunteer Lawyers Program, Inc.**  
**Schedule of Texas Access to Justice Foundation – Basic Civil Legal Services**  
**Grant Contribution Revenue and Expenses – Grant ID #10083344**

	BUDGET	ACTUAL	ACTUAL	ACTUAL	DIFFERENCE
	9/1/19 - 8/28/22	9/1/19 - 12/31/20	1/1/21 - 12/31/21	1/1/22 - 8/28/22	
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	117,328	66
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	335	(1,241)
Audit	25,400	10,395	13,502	-	1,503
Travel	3,821	3,251	370	5	195
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	206	(178)
<b>Total expenses</b>	<b>1,932,460</b>	<b>1,032,578</b>	<b>782,008</b>	<b>117,874</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

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.**  
**Schedule of Texas Access to Justice Foundation – Legal Aid to Veterans (LAV)**  
**Grant Contribution Revenue and Expenses –**  
**Grant ID #10087675**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>DIFFERENCE</b>
	<b>9/1/21-8/31/23</b>	<b>9/1/21-12/31/21</b>	<b>1/1/22-12/31/22</b>	
Contributions and grant revenue	\$ 234,566	\$ 15,848	\$ 108,044	\$ 110,674
Expenses:				
Salaries and benefits	202,100	8,568	104,488	89,044
Space	5,400	5,400	-	-
Contractual services	900	985	52	(137)
Supplies	3,200	30	2,588	582
Audit	600	108	466	26
Travel	8,566	-	401	8,165
Equipment rental	300	305	-	(5)
Telephone	300	253	47	-
Other expenses	13,200	199	2	12,999
<b>Total expenses</b>	<b>234,566</b>	<b>15,848</b>	<b>108,044</b>	<b>110,674</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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.



**Houston Volunteer Lawyers Program, Inc.**  
**Schedule of Texas Access to Justice Foundation –**  
**Emergency Rental Assistance Program Grant Contribution Revenue and**  
**Expenses – Grant ID #10087776**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>DIFFERENCE</b>
	<b>5/1/21-8/31/22</b>	<b>5/1/21-12/31/21</b>	<b>1/1/22-8/31/22</b>	
Contributions and grant revenue	\$ 391,000	\$ 227,320	\$ 163,680	\$ -
Expenses:				
Salaries and benefits	370,109	209,732	160,243	134
Space	11,606	11,606	-	-
Contractual services	5,638	2,738	3,077	(177)
Supplies	305	84	221	-
Travel	473	384	46	43
Telephone	2,369	2,276	93	-
Other expenses	500	500	-	-
<b>Total expenses</b>	<b>391,000</b>	<b>227,320</b>	<b>163,680</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

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.

**Houston Volunteer Lawyers Program, Inc.  
Schedule of Legal Services Corporation –  
Private Attorney Involvement Expenses**

<i>For the year ended December 31,</i>	<b>2022</b>
Salaries and related expenses	\$ 204,911
Rent	27,101
Audit	11,997
Professional fees	2,048
Other	3,943
<b>Total</b>	<b>\$ 250,000</b>

## **SINGLE AUDIT REPORTS**

**Houston Volunteer Lawyers Program, Inc.  
Schedule of Expenditures of State of Texas Awards  
For the Year Ended December 31, 2022**

State Grantor/Program or Cluster Title	Assistance Listing	Grant #	2022 Expenditures	Transfers to Subrecipients
<b><i>Supreme Court of Texas</i></b>				
Passed-through Texas Access to Justice Foundation Basic Civil Legal Services Program	n/a	10083344/10087674	\$ 1,026,291	\$ -
Legal Aid to Veterans (LAV)	n/a	10087675	108,044	-
Total Texas Access to Justice Foundation			1,134,335	
Pass-through Texas Veterans Commission Funds for Veterans Assistance	n/a	GT-FVA22-011	69,325	-
<b><i>Total expenditures of State of Texas Awards awards</i></b>			<b>\$ 1,203,660</b>	<b>\$ -</b>

**Houston Volunteer Lawyers Program, Inc.**  
**Notes to Schedule of Expenditures of State of Texas Awards**  
**For the Year Ended December 31, 2022**

**Note 1: BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS**

The accompanying Schedule of Expenditures of State of Texas Awards (the Schedule) presents the State of Texas program fund expenditures of Houston Volunteer Lawyers Program, Inc. (HVL) for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Texas Grant Management Standards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of HVL's financial statements.

In December 2021, the Texas Comptroller published the Texas Grant Management Standards (TxGMS) which replaces Uniform Grant Management Standards (UGMS). TxGMS applies to state grants or contracts that begin on or after January 1, 2022.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles as found in the UGMS or TxGMS, depending on grant award date.

HVL did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended December 31, 2022.

**Note 3: RELATIONSHIP TO FINANCIAL REPORTS SUBMITTED TO GRANTOR AGENCIES**

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals included in the next report filed with the agencies, matching requirements not included in the Schedule of Expenditures of State of Texas Awards and different program year ends.



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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, 2022 and the related statements of activities, 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 14, 2023.

***Report on 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 or significant deficiencies may exist that were not identified.

***Report on 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

April 14, 2023  
Houston, Texas



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**Independent Auditors' Report on Compliance for the Major State of Texas Program and on Internal Control over Compliance Required by Texas Grant Management Standards and the *BCLS Program Compliance Supplement***

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

**Report on Compliance for the Major State of Texas Program**

***Opinion on the Major State of Texas 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 major state of Texas program for the year ended December 31, 2022. HVL's major state of Texas program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 its major state of Texas program for the year ended December 31, 2022.

***Basis for Opinion on the Major State of Texas 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; Texas Grant Management Standards; and the suggested audit procedures included in the *BCLS Program Compliance Supplement*. Our responsibilities under those standards, Texas Grant Management 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 major state of Texas 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 state of Texas programs.



### ***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 generally accepted auditing standards, *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 major state of Texas program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Texas Grant Management 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 Texas Grant Management Standards and *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 a state of Texas 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 a state of Texas program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state of Texas 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 Texas Grant Management Standards and the *BCLS Program Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
April 14, 2023

**Independent Auditors' Report on Compliance for the Private Attorney Involvement Program (PAI) and 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, 2022.

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, 2022.

***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.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
April 14, 2023

**Houston Volunteer Lawyers Program, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2022**

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

State of Texas Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Texas Grant Management Standards?	No

Identification of the major programs:

<u>State Contract Number</u>	<u>Name of State Programs</u>
10083344/10087674	Basic Civil Legal Services Grant

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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**Houston Volunteer Lawyers Program, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2022**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None for the year ended December 31, 2022.

**SECTION III: STATE OF TEXAS AWARD FINDINGS AND QUESTIONED COSTS**

None for the year ended December 31, 2022.

**SCHEDULE OF PRIOR YEAR FINDINGS**

No prior year findings reported.