

UTAH LEGAL SERVICES, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

YEARS ENDED JUNE 30, 2018 AND 2017

**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

UTAH LEGAL SERVICES, INC.

(A NONPROFIT ORGANIZATION)

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## ACRONYMS

BJA	Bureau of Justice Assistance
CDBG	Community Development Block Grant
CFDA	Catalog of Federal Domestic Assistance
DOJ	Department of Justice
FEP	Federal Employment Program
GAD	General Assistance/Disability
HHS	United States Department of Health and Human Services
IOLTA	Interest on Lawyers Trust Accounts
LSC	Legal Services Corporation
OMB	Office of Management and Budget
PAI	Private Attorney Involvement
SSBG	Social Services Block Grant
TANF	Temporary Assistance for Needy Families
TIG	Technology Initiative Grant
TLC	Timpanogas Legal Center
ULS	Utah Legal Services
VAWA	Violence Against Women Act
VOCA	Victims of Crime Act

UTAH LEGAL SERVICES, INC.

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**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Utah Legal Services, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Utah Legal Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Legal Services, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses and schedules of support and expenses are presented for additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2018, on our consideration of Utah Legal Services, 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 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 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 Utah Legal Services, Inc.'s internal control over financial reporting and compliance.



Burnham & Schumm, P.C.  
Salt Lake City, Utah  
October 18, 2018

UTAH LEGAL SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 998,864	\$ 522,363
Client escrow funds	100	1,050
Grants receivable, net of allowance of \$-0-	166,358	224,979
Sales tax receivable	1,319	539
Unconditional promises to give	45,000	54,166
Prepaid expenses	<u>32,166</u>	<u>24,090</u>
Total current assets	1,243,807	827,187
Property and equipment, at cost, net	292,239	282,577
Other assets, deposits	<u>13,262</u>	<u>13,262</u>
Total Assets	<u>\$1,549,308</u>	<u>\$1,123,026</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 69,263	\$ 71,838
Accrued payroll and related liabilities	125,901	133,065
Accrued vacation	88,249	80,885
Client trust deposits	<u>100</u>	<u>1,050</u>
Total current liabilities	<u>283,513</u>	<u>286,838</u>
Net assets:		
Unrestricted:		
Operations	694,959	409,317
Fixed assets	<u>292,239</u>	<u>282,577</u>
	<u>987,198</u>	<u>691,894</u>
Temporarily Restricted:		
Legal Services Corporation	163,597	38,284
Non - LSC	<u>115,000</u>	<u>106,010</u>
	<u>278,597</u>	<u>144,294</u>
Permanently Restricted	<u>--</u>	<u>--</u>
Total net assets	<u>1,265,795</u>	<u>836,188</u>
Total Liabilities and Net Assets	<u>\$1,549,308</u>	<u>\$1,123,026</u>

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



UTAH LEGAL SERVICES, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Unrestricted Net Assets:		
Support:		
Federal and state financial assistance	\$3,912,137	\$3,636,631
Other grants and contract revenue	432,248	400,072
In-kind contributions	4,480	4,200
Interest income	998	1,114
Other	4,810	15,023
	4,354,673	4,057,040
Net assets released from restrictions:		
Restrictions satisfied by payments United Way, Foundations and other funding for the year	38,284	38,981
	106,010	125,000
	4,498,967	4,221,021
Expenses:		
Program services	3,834,773	3,872,956
Support services:		
Administrative, management and general	238,776	235,390
Fund raising	130,114	129,240
	4,203,663	4,237,586
Increase (decrease) in unrestricted net assets	295,304	(16,565)
Temporarily Restricted Net Assets:		
United Way, Foundations and other funding for next year	115,000	106,010
Federal Support:		
Legal Services Corporation	163,597	38,284
Net assets released from restrictions:		
Restrictions satisfied by payments and expiration of time	(144,294)	(163,981)
Increase (decrease) in temporarily restricted net assets	134,303	(19,687)
Permanently restricted net assets	--	--
Increase (decrease) in net assets	429,607	(36,252)
Net Assets at beginning of year	836,188	872,440
Net Assets at end of year	\$1,265,795	\$ 836,188

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

UTAH LEGAL SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 429,607	\$ (36,252)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	87,546	104,391
(Increase)decrease in grants receivable	58,621	(88,359)
(Increase) decrease in unconditional promises to give	9,166	(4,166)
(Increase)decrease in other receivables and deposits	(780)	5,607
(Increase) in prepaid expenses	(8,076)	15,985
Decrease in accounts payable	(2,575)	(33,044)
Increase (decrease) in accrued payroll	(7,164)	(3,768)
Increase in accrued vacation	7,364	245
Net cash provided (used) by operating activities	<u>573,709</u>	<u>(39,361)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(97,208)</u>	<u>(95,263)</u>
Cash flows from financing activities:	<u>---</u>	<u>---</u>
Net increase (decrease) in cash	476,501	(134,624)
Cash balance at beginning of year	<u>522,363</u>	<u>656,987</u>
Cash balance at end of year	<u>\$ 998,864</u>	<u>\$ 522,363</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ ---</u>	<u>\$ ---</u>
Income taxes paid during the year	<u>\$ ---</u>	<u>\$ ---</u>

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

UTAH LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies

Organization

Utah Legal Services, Inc., a nonprofit corporation, was established under the laws of the State of Utah on June 7, 1976. The Organization is dedicated to providing legal services of a civil nature to persons unable to pay for such services in all counties within the State of Utah.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

## Notes to Financial Statements - Continued

### Grants Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Changes in the valuation allowance have not been material to the financial statements.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are being depreciated over estimated useful lives of three to ten years using a straight-line method. The Organization capitalizes expenditures for property and equipment in excess of \$5,000.

Property and equipment acquired with funds from the various sources is considered to be owned by ULS while used in the program or in future authorized programs. However, the funding sources have a reversionary interest in the assets purchased with their respective funds.

### Revenue Recognition

The Organization recognizes grant funds from LSC as support on a straight-line basis over the grant period. Funds remaining unused at the end of an accounting period are carried forward in the applicable net assets. The LSC net assets are subject to the provisions of LSC's Fund Balance Regulation. LSC may, at its discretion, request reimbursement for expenses, the return of funds or both as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its legal assistance activities, all unused funds are to be returned to LSC.

Revenues are recognized as funds are received on the LSC and other non cost reimbursement contracts and as costs are incurred, or units of service are provided on the cost reimbursement contracts.

## Notes to Financial Statements - Continued

The methods used to recognize revenues do not necessarily coincide with the flow of cash. Consequently, receivables have been recorded for amounts earned on the contracts for which cash has not been received. Conversely, temporarily restricted net assets have been recorded where grant/contract funds received in cash exceed the earned amounts.

Contributions and support, including unconditional promises to give, are recorded as made. All contributions and support are available for unrestricted use unless specifically restricted by the grantor/donor. Contributions that are restricted by the grantor/donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which contributions are recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years, if any, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

### Noncash Contributions

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

### Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal or state income taxes in the accompanying financial statements.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2017, 2016 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

## Notes to Financial Statements - Continued

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant or contract. Such expenses are allocated between the grants and contracts based on the percentage of time spent by ULS staff on the grant or contract. All grants and contracts, including the components of LSC funding (except PAI) are charged to the extent of the grant or contract budget. Excess expenses over revenue on programs with LSC eligibility screening are charged to LSC Basic, those with differing eligibility guidelines are charged to other unrestricted sources.

#### 2. Cash - Credit Risk

The Organization has cash deposits totaling \$1,041,123 and \$525,493 at various banks at June 30, 2018 and 2017 respectively. This exceeds the \$250,000 covered by federal depository insurance by \$-0- and \$-0- respectively.

#### 3. Client Trust Accounts

The Organization holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and liability of the Organization.

Notes to Financial Statements - Continued

4. Grants Receivable

Grants and contracts receivable at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Department of Justice - LAVA	\$ 32,091	\$ 49,177
Title XX	12,000	20,260
Title III	26,922	34,403
Department of Justice - BJA	12,484	6,458
State of Utah - VOCA	9,550	46,579
State of Utah - GAD and FEP	14,737	12,463
State of Utah - TANF	29,574	13,986
Legal Services Corporation - TIG	29,000	32,200
LSC - Pro Bono Innovation Grant	--	9,453
	<u>\$166,358</u>	<u>\$224,979</u>
Total Grants Receivable		

5. Unconditional Promises to Give

The amount due for unconditional promises to give consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Allocation for the next year:		
United Way	<u>\$ 45,000</u>	<u>\$ 54,166</u>

The amounts from unconditional promises to give at June 30, 2018 and 2017 are due within one year. Although actual grant payments may vary, differences between the amount recorded and collected have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

6. Restrictions on Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
For subsequent periods:		
United Way	\$ 45,000	\$ 50,000
Foundations	40,000	40,000
IOLTA	30,000	16,010
Federal support not expended:		
LSC-Basic	163,597	4,973
LSC-TIG	--	33,311
	<u>\$278,597</u>	<u>\$144,294</u>

Notes to Financial Statements - Continued

There are no permanently restricted net assets at June 30, 2018 and 2017.

7. Property and Equipment

The following is a summary of property and equipment as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$746,442	\$649,234
Less accumulated depreciation	<u>454,203</u>	<u>366,657</u>
Property and equipment, net	<u>\$292,239</u>	<u>\$282,577</u>

Property and equipment acquired with grant funds are subject to certain restrictions on the sale or other disposition of the property as specified by the grantor agency. Also, if the grantor discontinues funding, all property and equipment acquired with grant funds may be recovered by the grantor.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$87,546 and \$104,391, respectively.

8. Lease Commitments

Utah Legal Services, Inc. leases office space for their Salt Lake, Ogden and Provo offices. Each Office is leased under a separate lease agreement. Each lease contains a defunding clause making the lease generally cancelable upon 60-90 days notice if ULS loses its funding from Legal Services Corporation. Lease payments for the years ended June 30, 2018 and 2017 amounted to \$180,967 and \$179,680, respectively. The lease payments are classified as space costs in the accompanying financial statements.



Notes to Financial Statements - Continued

For all offices maintained by ULS, the related future minimum lease payments (based on leases with terms of one year or more) are as follows:

<u>June 30,</u>	<u>Amount</u>
2019	\$ 75,943
2020	76,847
2021	46,988
2022	11,805
	<u>\$211,583</u>

9. Private Attorney Involvement (PAI) Expenditures

The assurances given by ULS as a condition for approval of the LSC Basic Field grant include an assurance and certification that at least the minimum amount of LSC funds prescribed by LSC rules, regulations, guidelines, and instructions will be provided for the involvement of private attorneys in the delivery of legal assistance to the eligible clients.

45 CFR 1614.1 defines the minimum amount of "funds to be devoted to involvement of private attorneys as an amount equal to at least twelve and one-half percent (12.5%) of the recipient's LSC annualized basic field award."

Based on these assurances, ULS is required to expend \$291,717 on PAI during the year ended June 30, 2018. As noted in the following summary, ULS exceeded the requirement by \$46,400.

Notes to Financial Statements - Continued

	<u>PAI</u>
LSC annualized basic field award at 12.5%	<u>\$291,717</u>
Expenses:	
Salaries	\$207,823
Employee benefits	68,582
Contract services	36,928
Space costs	7,469
Travel	5,474
Consumable supplies	1,154
Telephone	1,871
Equipment expense	1,913
Litigation	3,565
Library expense	876
Licenses and fees	541
Insurance	1,001
Miscellaneous	697
Training	<u>223</u>
	<u>338,117</u>
Expenses in excess of requirement	<u>\$46,400</u>

10. Tax Sheltered Annuity Plan

Utah Legal Services sponsors a 403 (b) salary reduction plan that covers employees. Employees are eligible to participate in salary reduction contributions on their hire date. With respect to non-salary reduction contributions, employees are eligible to participate if they have completed six months of service and have attained age 21. Salary reduction contributions are limited in any year to a certain dollar amount set by law. For the years ended June 30, 2018 and 2017, Utah Legal Services matching contributions amounted to \$53,198 and \$54,639, respectively.

11. Subgrant - Timpanogas Legal Center

Utah Legal Services entered into a subgrant agreement with Timpanogas Legal Center (TLC). TLC will develop and run a virtual document clinic for low income persons needing family law services, primarily in divorce and custody

## Notes to Financial Statements - Continued

cases. The subgrant agreements were modified to extend the term through April 30, 2017. TLC received \$-0- and \$16,240 during the years ended June 30, 2018 and 2017 for services rendered under these agreements.

### 12. Major Grantor

During the year ended June 30, 2018 and 2017, Utah Legal Services received \$2,560,404 and \$2,557,601, respectively, from Legal Services Corporation. This represents 55.26% and 60.88% of total revenues for the years ended June 30, 2018 and 2017, respectively. A loss of funding from this grantor would have a materially adverse effect on the financial condition of ULS.

### 13. In-kind Contributions

During the years ended June 30, 2018 and 2017, the Organization recorded in-kind contributions of \$4,480 and \$4,200 respectively. During the year ended June 30, 2018, the Organization received approximately 320 and 293 hours of service from volunteers valued at an average of \$14.00 and \$14.35 per hour, respectively.

### 14. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 24, 2018, the date which the financial statements were available to be issued.

GOVERNMENTAL AUDITING STANDARDS REPORTS  
AND SINGLE AUDIT INFORMATION

UTAH LEGAL SERVICES, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<u>Legal Services Corporation</u>			
Legal Services Corporation	N/L	745000	<u>\$2,401,780</u>
 <u>US Department of Health and Human Serv. (HHS)</u>			
Passed Through State of Utah:			
Department of Workforce Services - TANF	93.558	15DWS0071	29,454
Department of Workforce Services	93.558	176476	9,836
Davis County	93.044	N/A	6,241
Mountainlands Assoc of Govts	93.044	N/A	13,000
Southeastern UT AOG	93.044	N/A	2,500
San Juan County	93.044	N/A	2,000
Six County Aging Program	93.044	N/A	6,714
Five County Aging Program	93.044	N/A	10,000
Bear River Assoc of Govt-Title III	93.044	N/A	6,000
Uintah County Aging Program	93.044	N/A	1,310
Uintah Basin Aging Program	93.044	N/A	1,310
Weber County Title III	93.044	N/A	5,766
Tooele County Title XX	93.667	N/A	6,000
Tooele County Aging Program Title III	93.044	N/A	1,735
Passed Through State of Utah Through Salt Lake County:			
Dept of Aging Services	93.044	0000000995	53,327
Total US Dept of HHS			<u>155,193</u>
 <u>US Department of Justice</u>			
Department of Justice - Legal Assistance for Survivors of Sexual Abuse	16.556	2014-WL-AX-0026	156,349
Department of Justice - Innovative Remedies to Reduce Elder Abuse and Financial Exploitation	16.582	2017-VF-GX-K141	45,742

UTAH LEGAL SERVICES, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Commission on Criminal and Juvenile Justice	16.588	15V17081	549,686
Bureau of Justice Assistance	16.815	2015-AL-BX-0002 2015-AL-BX-0001	<u>34,888</u>
Total US Department of Justice			<u>786,665</u>
Total Federal Financial Assistance			<u>\$3,343,638</u>

N/A = No contract number provided in the agreement.  
 N/L = No Federal CFDA number is available.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Utah Legal Services, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Utah Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Utah Legal Services, Inc.

### B. 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 contained in the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-profit Organizations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

UTAH LEGAL SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Supportive Services			Program Services	Total
	Fund Raising	Administrative, Management & General	Total		
Salary - attorney	\$ 78,006	\$ 90,069	\$ 168,075	\$1,334,187	\$1,502,262
Salary - other	13,628	69,616	83,244	1,047,067	1,130,311
Employee benefits	25,657	44,712	70,369	802,465	872,834
Contract services	--	--	--	127,007	127,007
Contract services - TLC	--	--	--	--	--
Space costs	3,894	11,247	15,141	170,284	185,425
Travel	1,335	3,856	5,191	58,371	63,562
Consumable supplies	599	1,731	2,330	26,209	28,539
Telephone	697	2,817	3,514	42,925	46,439
Equipment expenses	1,330	2,881	4,211	43,278	47,489
Litigation	--	2,231	2,231	34,546	36,777
Library expenses	1,110	1,320	2,430	19,326	21,756
Licenses and fees	685	815	1,500	11,942	13,442
Insurance	872	1,507	2,379	22,466	24,845
Training expenses	35	155	190	2,365	2,555
In-kind expense	--	--	--	4,480	4,480
Miscellaneous	428	509	937	7,457	8,394
Depreciation	1,838	5,310	7,148	80,398	87,546
Total Expenses	\$ 130,114	\$ 238,776	\$ 368,890	\$3,834,773	\$4,203,663

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



UTAH LEGAL SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Supportive Services			Total	Program Services	Total
	Fund Raising	Administrative, Management & General				
Salary - attorney	\$ 75,283	\$ 87,210	\$	162,493	\$1,445,180	\$1,607,673
Salary - other	13,406	67,726		81,132	996,239	1,077,371
Employee benefits	28,061	49,021		77,082	772,448	849,530
Contract services	--	--		--	99,283	99,283
Contract services - TLC	--	--		--	16,240	16,240
Space costs	2,133	10,713		12,846	172,817	185,663
Travel	2,048	3,578		5,626	56,382	62,008
Consumable supplies	504	1,761		2,265	28,254	30,519
Telephone	542	2,693		3,235	43,439	46,674
Equipment expenses	1,126	1,967		3,093	30,998	34,091
Litigation	--	--		--	38,531	38,531
Library expenses	904	1,580		2,484	24,897	27,381
Licenses and fees	414	723		1,137	11,398	12,535
Insurance	823	1,438		2,261	22,662	24,923
Training expenses	141	246		387	3,874	4,261
In-kind expense	--	--		--	4,200	4,200
Miscellaneous	407	710		1,117	11,195	12,312
Depreciation	3,448	6,024		9,472	94,919	104,391
Total Expenses	\$ 129,240	\$ 235,390	\$	364,630	\$3,872,956	\$4,237,586

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

UTAH LEGAL SERVICES, INC.  
 SCHEDULE OF SUPPORT AND EXPENSES  
 YEAR ENDED JUNE 30, 2018

SUMMARY

	LSC	Department of Justice	Other	Property	Total
Support					
Grants and contracts	\$2,560,404	\$ 786,665	\$ 728,665	\$ --	\$4,075,734
Other	<u>1,361</u>	<u>4,630</u>	<u>551,545</u>	<u>--</u>	<u>557,536</u>
	<u>2,561,765</u>	<u>791,295</u>	<u>1,280,210</u>	<u>--</u>	<u>4,633,270</u>
Expenses					
Salary - attorney	899,980	421,310	180,972	--	1,502,262
Salary - other	702,432	330,838	97,041	--	1,130,311
Employee benefits	524,732	242,200	105,902	--	872,834
Contract services	36,078	68,323	22,606	--	127,007
Contract services - TIC	--	--	--	--	--
Space costs	71,436	3,741	110,248	--	185,425
Travel	25,366	17,372	20,824	--	63,562
Consumable supplies	9,703	--	18,836	--	28,539
Telephone	15,626	--	30,813	--	46,439
Equipment expense	26,790	--	20,699	--	47,489
Litigation	17,307	150	19,320	--	36,777
Library expense	7,400	--	14,356	--	21,756
Licenses and fees	5,455	--	7,987	--	13,442
Insurance	14,447	--	10,398	--	24,845
Training expense	848	--	1,707	--	2,555
In-kind expense	--	4,480	--	--	4,480
Miscellaneous	3,852	--	4,542	--	8,394
Depreciation	<u>--</u>	<u>--</u>	<u>--</u>	<u>87,546</u>	<u>87,546</u>
	<u>2,361,452</u>	<u>1,088,414</u>	<u>666,251</u>	<u>87,546</u>	<u>4,203,663</u>
Excess (deficiency) of support over expenses	200,313	(297,119)	613,959	(87,546)	429,607
Property acquisition	(75,000)	--	(22,208)	97,208	--
Property disposition	--	--	--	--	--
Fund Transfers	--	297,119	(297,119)	--	--
Increase (decrease) in net assets	125,313	--	294,632	9,662	429,607
Beginning net assets	38,284	--	515,327	282,577	836,188
Ending net assets	<u>\$ 163,597</u>	<u>\$ --</u>	<u>\$ 809,959</u>	<u>\$ 292,239</u>	<u>\$ 1,265,795</u>

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

UTAH LEGAL SERVICES, INC.  
SCHEDULE OF SUPPORT AND EXPENSES  
YEAR ENDED JUNE 30, 2017

SUMMARY

	Department of				
	LSC	Justice	Other	Property	Total
Support					
Grants and contracts	\$2,557,602	\$ 448,401	\$ 668,913	\$ --	\$3,674,916
Other	14,876	4,419	507,123	--	526,418
	<u>2,572,478</u>	<u>452,820</u>	<u>1,176,036</u>	<u>--</u>	<u>4,201,334</u>
Expenses					
Salary - attorney	985,656	262,173	359,844	--	1,607,673
Salary - other	727,501	122,443	227,427	--	1,077,371
Employee benefits	542,035	104,171	203,324	--	849,530
Contract services	28,486	20,622	50,175	--	99,283
Contract services -TIC	16,240	--	--	--	16,240
Space costs	127,193	--	58,470	--	185,663
Travel	27,155	7,981	26,872	--	62,008
Consumable supplies	14,069	--	16,450	--	30,519
Telephone	26,679	--	19,995	--	46,674
Equipment expense	17,821	--	16,270	--	34,091
Litigation	22,683	219	15,629	--	38,531
Library expense	13,325	--	14,056	--	27,381
Licenses and fees	4,417	--	8,118	--	12,535
Licenses and fees	7,543	--	17,380	--	24,923
Insurance	1,729	--	2,532	--	4,261
Training expense	--	4,200	--	--	4,200
In-kind expense	3,145	--	9,167	--	12,312
Miscellaneous	--	--	--	104,391	104,391
Depreciation	<u>2,565,677</u>	<u>521,809</u>	<u>1,045,709</u>	<u>104,391</u>	<u>4,237,586</u>
Excess (deficiency) of support over expenses	6,801	(68,989)	130,327	(104,391)	(36,252)
Property acquisition	(92,861)	--	(2,402)	95,263	--
Property disposition	--	--	--	--	--
Fund Transfers	85,363	68,989	(154,352)	--	--
Increase (decrease) in net assets	(697)	--	(26,427)	(9,128)	(36,252)
Beginning net assets	38,981	--	541,754	291,705	872,440
Ending net assets	<u>\$ 38,284</u>	<u>\$ --</u>	<u>\$ 515,327</u>	<u>\$ 282,577</u>	<u>\$ 836,188</u>

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

UTAH LEGAL SERVICES, INC.  
SCHEDULE OF SUPPORT AND EXPENSES  
JUNE 30, 2018

	LSC FUNDS				Total
	Basic Field	Migrant	Native American	TIG	
Support					
Grants and contracts	\$ 2,333,732	\$ 78,559	\$ 88,026	\$ 54,000	\$ 2,560,404
Other	<u>1,361</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,361</u>
	<u>2,335,093</u>	<u>78,559</u>	<u>88,026</u>	<u>54,000</u>	<u>2,561,765</u>
Expenses					
Salary - attorney	807,842	42,767	44,979	2,755	899,980
Salary - other	619,881	59,897	17,324	2,606	702,432
Employee benefits	468,272	36,583	17,438	1,267	524,732
Contract services	24,693	5,163	539	5,683	36,078
Contract services - TLC	--	--	--	--	--
Space costs	63,241	4,887	3,011	--	71,436
Travel	15,965	8,417	926	--	25,366
Consumable supplies	8,586	658	451	--	9,703
Telephone	13,720	1,112	679	--	15,626
Equipment expense	22,845	2,798	1,074	--	26,790
Litigation	13,720	3,169	418	--	17,307
Library expense	6,247	850	303	--	7,400
Dues and fees	5,453	1	1	--	5,455
Insurance	12,698	971	778	--	14,447
Training expense	808	24	13	--	848
In-kind expense	--	--	--	--	--
Miscellaneous	3,630	130	92	--	3,852
Depreciation	<u>2,087,601</u>	<u>167,427</u>	<u>88,026</u>	<u>12,311</u>	<u>2,361,452</u>
Excess (deficiency) of support over expenses	247,492	(88,868)	--	41,689	200,313
Property acquisition	--	--	--	(75,000)	(75,000)
Property disposition	--	--	--	--	--
Fund transfers	(88,868)	88,868	--	--	--
Increase (decrease) in net assets	158,624	--	--	(33,311)	125,313
Beginning net assets	4,973	--	--	33,311	38,284
Ending net assets	<u>\$ 163,597</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 163,597</u>

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

UTAH LEGAL SERVICES, INC.  
 SCHEDULE OF SUPPORT AND EXPENSES  
 JUNE 30, 2018

I SC FUNDS - Technology Initiative Grants

	<u>TIG</u>	<u>Total</u>
	<u>Grant 16020</u>	<u>Total</u>
Support		
Grants and contracts	\$ 54,000	\$ 54,000
Other	<u>    --</u>	<u>    --</u>
	<u>54,000</u>	<u>54,000</u>
Expenses		
Salary - attorney	7,028	7,028
Salary - other	2,606	2,606
Employee benefits	2,677	2,677
Contract services	<u>    --</u>	<u>    --</u>
Contract services - TLC	<u>    --</u>	<u>    --</u>
Space costs	<u>    --</u>	<u>    --</u>
Travel	<u>    --</u>	<u>    --</u>
Consumable supplies	<u>    --</u>	<u>    --</u>
Telephone	<u>    --</u>	<u>    --</u>
Equipment expense	<u>    --</u>	<u>    --</u>
Litigation	<u>    --</u>	<u>    --</u>
Library expense	<u>    --</u>	<u>    --</u>
Dues and fees	<u>    --</u>	<u>    --</u>
Insurance	<u>    --</u>	<u>    --</u>
Training expense	<u>    --</u>	<u>    --</u>
In-kind expenses	<u>    --</u>	<u>    --</u>
Miscellaneous	<u>    --</u>	<u>    --</u>
Depreciation	<u>    --</u>	<u>    --</u>
	<u>12,311</u>	<u>12,311</u>
Excess (deficiency) of support over expenses	41,689	41,689
Property acquisition	(75,000)	(75,000)
Property disposition	<u>    --</u>	<u>    --</u>
Fund transfers	<u>    --</u>	<u>    --</u>
Increase (decrease) in net assets	(33,311)	(33,311)
Beginning net assets	<u>33,311</u>	<u>33,311</u>
Ending net assets	<u>    --</u>	<u>    --</u>
	<u>\$    --</u>	<u>\$    --</u>

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

UTAH LEGAL SERVICES, INC.  
SCHEDULE OF SUPPORT AND EXPENSES  
JUNE 30, 2017

LISC FUNDS

	Basic Field	Migrant	Native American	TIG	Pro Bono Innovation	Total
Support						
Grants and contracts	\$2,244,739	\$ 71,694	\$ 84,533	\$109,182	\$ 47,454	\$2,557,602
Other	14,876	--	--	--	--	14,876
	<u>2,259,615</u>	<u>71,694</u>	<u>84,533</u>	<u>109,182</u>	<u>47,454</u>	<u>2,572,478</u>
Expenses						
Salary - attorney	858,520	42,990	38,397	28,001	17,748	985,656
Salary - other	633,424	58,303	21,668	--	14,106	727,501
Employee benefits	473,379	34,050	17,527	8,359	8,720	542,035
Contract services	26,608	933	945	--	--	28,486
Contract services - TIC	--	--	--	--	16,240	16,240
Space costs	115,489	7,336	4,368	--	--	127,193
Travel	15,308	9,850	1,997	--	--	27,155
Consumable supplies	12,335	1,039	695	--	--	14,069
Telephone	24,303	1,514	862	--	--	26,679
Equipment expense	16,220	1,002	599	--	--	17,821
Litigation	18,124	3,737	822	--	--	22,683
Library expense	12,110	757	458	--	--	13,325
Dues and fees	4,236	181	--	--	--	4,417
Insurance	6,794	459	290	--	--	7,543
Training expense	924	727	78	--	--	1,729
In-kind expense	--	--	--	--	--	--
Miscellaneous	2,872	172	101	--	--	3,145
Depreciation	--	--	--	--	--	--
	<u>2,220,646</u>	<u>163,050</u>	<u>88,807</u>	<u>36,360</u>	<u>56,814</u>	<u>2,565,677</u>
Excess (deficiency) of support over expenses	38,969	(91,356)	(4,274)	72,822	(9,360)	6,801
Property acquisition	(27,565)	--	--	(40,000)	(25,296)	(92,861)
Property disposition	--	--	--	--	--	--
Fund transfers	(10,756)	91,356	4,274	489	--	85,363
Increase (decrease) in net assets	648	--	--	33,311	(34,656)	(697)
Beginning net assets	4,325	--	--	--	34,656	38,981
Ending net assets	<u>\$ 4,973</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 33,311</u>	<u>\$ --</u>	<u>\$ 38,284</u>

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

UTAH LEGAL SERVICES, INC.  
SCHEDULE OF SUPPORT AND EXPENSES  
JUNE 30, 2017

	LSC FUNDS - Technology Initiative Grants					Total
	TIG Grant 15022	TIG Grant 14016	TIG Grant 12083	TIG Grant 13036	TIG Grant 16020	
Support						
Grants and contracts	\$ 10,401	\$ 9,449	\$ 4,359	\$ 4,973	\$ 80,000	\$ 109,182
Other	<u>10,401</u>	<u>---</u>	<u>4,359</u>	<u>4,973</u>	<u>80,000</u>	<u>109,182</u>
Expenses						
Salary - attorney	8,204	7,382	3,405	3,885	5,125	28,001
Salary - other	--	--	--	--	--	--
Employee benefits	2,686	2,067	954	1,088	1,564	8,359
Contract services	--	--	--	--	--	--
Contract services - TIC	--	--	--	--	--	--
Space costs	--	--	--	--	--	--
Travel	--	--	--	--	--	--
Consumable supplies	--	--	--	--	--	--
Telephone	--	--	--	--	--	--
Equipment expense	--	--	--	--	--	--
Litigation	--	--	--	--	--	--
Library expense	--	--	--	--	--	--
Dues and fees	--	--	--	--	--	--
Insurance	--	--	--	--	--	--
Training expense	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--
Depreciation	<u>10,890</u>	<u>9,449</u>	<u>4,359</u>	<u>4,973</u>	<u>6,689</u>	<u>36,360</u>
Excess (deficiency) of support over expenses	(489)	--	--	--	73,311	72,822
Property acquisition	--	--	--	--	(40,000)	(40,000)
Property disposition	--	--	--	--	--	--
Fund transfers	<u>489</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>489</u>
Increase (decrease) in net assets	--	--	--	--	33,311	33,311
Beginning net assets	--	--	--	--	--	--
Ending net assets	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 33,311</u>	<u>\$ 33,311</u>

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

UTAH LEGAL SERVICES, INC.  
 SCHEDULE OF SUPPORT AND EXPENSES  
 JUNE 30, 2018  
 DOJ FUNDS

	Bureau of Justice Assistance	Sexual Assault	Elder Abuse	Thru State of Utah VOCA	Total
Support					
Grants and contracts	\$ 34,888	\$ 156,349	\$ 45,742	\$ 549,686	\$ 786,665
Other	<u>34,888</u>	<u>156,349</u>	<u>45,742</u>	<u>4,630</u>	<u>4,630</u>
				<u>554,316</u>	<u>791,295</u>
Expenses					
Salary - attorney	25,475	58,466	15,475	321,894	421,310
Salary - other	1,782	51,985	2,629	274,442	330,838
Employee benefits	7,631	30,926	4,332	199,311	242,200
Contract services	--	14,972	23,086	30,265	68,323
Space costs	--	--	220	3,521	3,741
Travel	--	--	--	17,372	17,372
Consumable supplies	--	--	--	--	--
Telephone	--	--	--	--	--
Equipment expense	--	--	--	150	150
Litigation	--	--	--	--	--
Library expense	--	--	--	--	--
Dues and fees	--	--	--	--	--
Insurance	--	--	--	--	--
Training expense	--	--	--	--	--
In-Kind expense	--	--	--	4,480	4,480
Miscellaneous	--	--	--	--	--
Depreciation	<u>34,888</u>	<u>156,349</u>	<u>45,742</u>	<u>851,435</u>	<u>1,088,414</u>
Excess (deficiency) of support over expenses	--	--	--	(297,119)	(297,119)
Property acquisition	--	--	--	--	--
Property disposition	--	--	--	--	--
Fund transfers	--	--	--	297,119	297,119
Increase (decrease) in net assets	--	--	--	--	--
Net assets beginning of year	--	--	--	--	--
Net assets end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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



SCHEDULE OF SUPPORT AND EXPENSES  
 JUNE 30, 2017  
 DOJ FUNDS

	Bureau of Justice Assistance	Sexual Assault	Thru State of Utah VOCA	Total
Support				
Grants and contracts	\$ 14,550	\$ 154,233	\$ 279,618	\$448,401
Other	--	--	4,419	4,419
	<u>14,550</u>	<u>154,233</u>	<u>284,037</u>	<u>452,820</u>
Expenses				
Salary - attorney	6,680	66,692	188,801	262,173
Salary - other	4,687	41,554	76,202	122,443
Employee benefits	3,183	33,334	67,654	104,171
Contract services	--	9,642	10,980	20,622
Space costs	--	--	--	--
Travel	--	3,011	4,970	7,981
Consumable supplies	--	--	--	--
Telephone	--	--	--	--
Equipment expense	--	--	219	219
Litigation	--	--	--	--
Library expense	--	--	--	--
Licenses and fees	--	--	--	--
Insurance	--	--	--	--
Training expense	--	--	--	--
In-kind expense	--	--	4,200	4,200
Miscellaneous	--	--	--	--
Depreciation	--	--	--	--
	<u>14,550</u>	<u>154,233</u>	<u>353,026</u>	<u>521,809</u>
Excess (deficiency) of support over expenses	--	--	(68,989)	(68,989)
Property acquisition	--	--	--	--
Property disposition	--	--	--	--
Funds transfers	--	--	68,989	68,989
Increase (decrease) in net assets	--	--	--	--
Net assets beginning of year	--	--	--	--
Net assets end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

INDEPENDENT AUDITOR'S 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 Trustees of  
Utah Legal Services, 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 Utah Legal Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Utah Legal Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utah Legal Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Utah Legal Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **Purpose of this Report**

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



Burnham & Schumm, P.C.  
Salt Lake City, Utah  
October 18, 2018

**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1981 East Murray-Holladay Road  
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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of  
Utah Legal Services, Inc.

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

We have audited Utah Legal Services, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Utah Legal Services, Inc.'s major federal programs for the year ended June 30, 2018. Utah Legal Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Utah Legal Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those

standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Utah Legal Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Utah Legal Services, Inc.'s compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Utah Legal Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for year ended June 30, 2018.

#### **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct,

noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Burnham & Schumm, P.C.  
Salt Lake City, Utah  
October 18, 2018

UTAH LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Summary of Auditor's Results

1. The Auditor's report expresses an unmodified opinion on whether the financial statements of Utah Legal Services, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements which are reported in the Independent Auditor's 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Utah Legal Services, Inc. were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed in the audit report of Utah Legal Services, Inc. for the year ended June 30, 2018. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal awards program for Utah Legal Services, Inc. expresses an unmodified opinion on the major federal program.
6. There were no audit findings to be reported in accordance with 2CFR section 200.516(a).
7. The program tested as a major program was: Legal Services Corporation, CFDA#09.745000.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Utah Legal Services, Inc. does not qualify as a low risk auditee.

**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

To the Board of Trustees  
of Utah Legal Services, Inc.  
Salt Lake City, Utah

In planning and performing our audit of the financial statements of Utah Legal Services, Inc. for the year ended June 30, 2018, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organizations internal control in our report dated October 18, 2018. This letter does not affect our report dated October 18, 2018, on the financial statements of Utah Legal Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized on the following pages.

This report is intended solely for the information and use of the Board of Trustees of Utah Legal Services, Inc., management, and Legal Services Corporation and is not intended to be and should not be used by anyone other than these specified parties.



Burnham & Schumm, P.C.  
Salt Lake City, Utah  
October 18, 2018



UTAH LEGAL SERVICES, INC.

MANAGEMENT COMMENTS

JUNE 30, 2018

Reportable Matters

Case Sample

During our audit we reviewed 60 Utah Legal Services, Inc. cases for compliance with Legal Services Corporation rules and regulations. In one instance, case 17-0077653, the income shown for this client was duplicated when the case file information was transferred from another case. At first it appeared that ULS served an over income client without having a properly documented exception. Upon further inspection, the income shown in the legal server software had been incorrectly doubled when the information transferred from another related client case. Therefore, there were no LSC rules or regulations violated but the legal server software for income eligibility determination needs to be fixed to avoid the appearance of being over income.

We recommend that Utah Legal Services, Inc. contact and inform its software developers, PS Technologies, Inc. about this income duplication issue when case file information is transferred so income eligibility determination is properly documented.

Management's Response

This problem began occurring following a software upgrade from PS Technologies and appears to be occurring in a small number of our cases. We created a new field in the software to help identify a pattern where this error occurs. The field marks which cases have the problem so that it can be fixed and tracked. Once we identify a pattern, we will report the issue and ensure the software glitch is resolved.

### Cash Disbursements

In December 2017 Utah Legal Services, Inc. converted to a paperless cash disbursement system. To allow proper review of the cash disbursements by auditors and ULS personnel, certain attributes should be displayed when reviewing cash disbursement documentation in the SSU accounting share folder. The required information displayed for all cash disbursements should be approval to pay by ULS management personnel, general ledger account code for the disbursement and the grant number ULS wants to charge, if applicable.

We recommend that ULS management review its current paperless cash disbursement system to ensure all of the above attributes are present for each documented cash disbursement.

### Management's Response

This information (proof of approval, general ledger code, and funding number) is more readily available through our accounting software. We will create a set of step by step instructions to make review of our cash disbursements more straightforward.