

INDIANA LEGAL SERVICES, INC.

LSC RECIPIENT NUMBER: 515030
FINANCIAL STATEMENTS

December 31, 2021 and 2020

INDIANA LEGAL SERVICES, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indiana Legal Services, Inc.
Indianapolis, Indiana

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

We have audited the financial statements of the Indiana Legal Services, Inc. (ILS), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ILS as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ILS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's 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 auditor's 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 GAAS 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 GAAS 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 the ILS'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 the ILS'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the schedule of expenditures of state and local awards are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the schedule of activities and the schedule of PAI expenses for 2021 on pages 28 and 29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022 on our consideration of the ILS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ILS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ILS's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
May 31, 2022

INDIANA LEGAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,357,738	\$ 2,863,682
Cash held in escrow	164,657	79,626
Investments	24,904	24,904
Due from grantors	1,796,524	812,076
Contributions receivable	4,897	4,767
Prepaid expenses and other assets	154,667	94,383
Property and equipment, net	<u>6,453</u>	<u>20,468</u>
 Total assets	 <u>\$ 3,509,840</u>	 <u>\$ 3,899,906</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 940,587	\$ 363,460
Escrow deposits	164,975	77,404
Unearned revenue	<u>1,172,079</u>	<u>1,873,445</u>
Total liabilities	<u>2,277,641</u>	<u>2,314,309</u>
Net assets		
Without donor restrictions	727,480	1,150,272
With donor restrictions		
Legal Services Corporation (LSC)	6,453	20,468
Non-LSC	<u>498,266</u>	<u>414,857</u>
Total net assets with donor restrictions	<u>504,719</u>	<u>435,325</u>
 Total net assets	 <u>1,232,199</u>	 <u>1,585,597</u>
 Total liabilities and net assets	 <u>\$ 3,509,840</u>	 <u>\$ 3,899,906</u>

See accompanying notes to financial statements.

INDIANA LEGAL SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
LSC support	\$ 8,988,504	\$ -	\$ 8,988,504	\$ 7,220,240	\$ -	\$ 7,220,240
Federal support	2,654,470	-	2,654,470	1,848,614	-	1,848,614
State support	832,202	-	832,202	683,819	-	683,819
United Way support	-	93,343	93,343	-	78,325	78,325
Grants and contributions	1,019,195	1,417,673	2,436,868	583,137	956,614	1,539,751
Donated services	99,055	-	99,055	58,518	-	58,518
Unrealized gain (loss) on investment	-	-	-	(4,999)	-	(4,999)
Paycheck Protection Program (PPP) support	-	-	-	1,838,800	-	1,838,800
Gain on lease conversion	-	-	-	149,915	-	149,915
Net assets released from restriction	<u>1,441,622</u>	<u>(1,441,622)</u>	<u>-</u>	<u>1,002,868</u>	<u>(1,002,868)</u>	<u>-</u>
Total revenue	15,035,048	69,394	15,104,442	13,380,912	32,071	13,412,983
Expenses						
Program services	13,496,216	-	13,496,216	11,814,621	-	11,814,621
Management and general	1,559,909	-	1,559,909	1,109,455	-	1,109,455
Fundraising	<u>401,715</u>	<u>-</u>	<u>401,715</u>	<u>292,222</u>	<u>-</u>	<u>292,222</u>
Total expenses	<u>15,457,840</u>	<u>-</u>	<u>15,457,840</u>	<u>13,216,298</u>	<u>-</u>	<u>13,216,298</u>
Changes in net assets	(422,792)	69,394	(353,398)	164,614	32,071	196,685
Net assets, beginning of year	<u>1,150,272</u>	<u>435,325</u>	<u>1,585,597</u>	<u>985,658</u>	<u>403,254</u>	<u>1,388,912</u>
Net assets, end of year	<u>\$ 727,480</u>	<u>\$ 504,719</u>	<u>\$ 1,232,199</u>	<u>\$ 1,150,272</u>	<u>\$ 435,325</u>	<u>\$ 1,585,597</u>

See accompanying notes to financial statements.

INDIANA LEGAL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Lawyer salaries	\$ 5,871,167	\$ 286,013	\$ -	\$ 6,157,180	\$ 4,628,987	\$ 276,692	\$ -	\$ 4,905,679
Paralegal salaries	2,193,592	-	-	2,193,592	1,865,881	-	-	1,865,881
Other staff salaries	840,754	466,175	212,318	1,519,247	729,670	281,819	178,019	1,189,508
Fringe benefits	2,546,001	131,670	59,967	2,737,638	2,159,510	124,796	63,927	2,348,233
Donated services	99,055	-	-	99,055	58,518	-	-	58,518
Litigation costs	6,562	-	-	6,562	13,787	-	-	13,787
Minor furniture and equipment	20,394	35,337	13,361	69,092	86,241	14,359	3,264	103,864
Law library	48,952	55	21	49,028	26,720	-	-	26,720
Contract services	591,518	525,621	71,675	1,188,814	616,253	389,863	41,802	1,047,918
Travel	31,063	6,102	2,307	39,472	27,461	244	1,204	28,909
Office rental	713,650	18,141	6,859	738,650	813,639	12,962	1,097	827,698
Consumable supplies	55,830	33,616	12,711	102,157	171,376	113	2	171,491
Telephone	169,070	17,041	6,443	192,554	100,018	930	52	101,000
Utilities	19,991	254	96	20,341	27,114	631	73	27,818
Insurance	85,003	3,020	2,014	90,037	76,442	1,816	21	78,279
Client and board training	1,010	4,885	1,848	7,743	269	115	-	384
Postage	29,698	2,265	857	32,820	65,529	1,061	1,990	68,580
Printing	7,285	5,466	2,067	14,818	10,372	297	593	11,262
Staff training and conferences	29,896	12,160	4,598	46,654	23,801	2,682	22	26,505
Equipment rental	51,181	6,399	2,420	60,000	53,161	1,075	156	54,392
Dues and fees	53,037	929	351	54,317	53,828	-	-	53,828
Other	17,492	4,760	1,802	24,054	205,114	-	-	205,114
Depreciation and amortization	14,015	-	-	14,015	930	-	-	930
Total expenses	<u>\$ 13,496,216</u>	<u>\$ 1,559,909</u>	<u>\$ 401,715</u>	<u>\$ 15,457,840</u>	<u>\$ 11,814,621</u>	<u>\$ 1,109,455</u>	<u>\$ 292,222</u>	<u>\$ 13,216,298</u>

See accompanying notes to financial statements.

INDIANA LEGAL SERVICES, INC.
STATEMENT OF CASH FLOWS
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (353,398)	\$ 196,685
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	14,015	930
Unrealized loss on investments	-	4,999
Gain on lease conversion	-	(149,915)
Changes in assets and liabilities		
Due from grantors	(984,448)	(216,597)
Contributions receivable	(130)	74,888
Prepaid expenses and other assets	(60,284)	59,933
Accounts payable and accrued expenses	577,127	263,522
Escrow deposits	87,571	14,690
Unearned revenue	<u>(701,366)</u>	<u>1,543,453</u>
Net cash flows from operating activities	<u>(1,420,913)</u>	<u>1,792,588</u>
Net change in cash	(1,420,913)	1,792,588
Cash and restricted cash, beginning of year	<u>2,943,308</u>	<u>1,150,720</u>
Cash and restricted cash, end of year	<u><u>\$ 1,522,395</u></u>	<u><u>\$ 2,943,308</u></u>
Reconciliation of cash and restricted cash to the Statements of Financial Position:		
Cash and cash equivalents	\$ 1,357,738	\$ 2,863,682
Cash held in escrow	<u>164,657</u>	<u>79,626</u>
Total cash and cash equivalents	<u><u>\$ 1,522,395</u></u>	<u><u>\$ 2,943,308</u></u>
Supplemental cash flow activity:		
Donated services	\$ 99,055	\$ 58,518

See accompanying notes to financial statements.

INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES

Indiana Legal Services, Inc. (ILS) is a not-for-profit organization organized for the purpose of providing legal assistance in noncriminal proceedings or matters to persons throughout Indiana who are financially unable to otherwise afford legal assistance. ILS is funded by grants primarily from Legal Services Corporation (LSC), a not-for-profit organization established and funded by the U.S. Congress to administer a nationwide legal assistance program. Funds received through LSC must be appropriated by Congress on an annual basis.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: ILS maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation: These financial statements have been prepared in accordance with GAAP. GAAP requires that financial statements report the change in, and totals of each net asset class based on the existence of donor-imposed restrictions, as applicable. Net assets are classified as without donor restrictions or with donor restrictions and are detailed as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of ILS and/or passage of time. Also included in this category are net assets subject to donor-imposed stipulations that assets be maintained in perpetuity.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash consists of bank deposits in accounts that are federally insured up to \$250,000 per financial institution. At times, ILS has deposits in excess of \$250,000.

Cash Held in Escrow and Escrow Deposits: Cash held in escrow represents amounts collected from clients that remain in ILS's possession. The use of these funds is limited. The excess of cash held in escrow over the corresponding liability represents funds that belong to ILS for the maintenance of the deposit accounts.

Investments: Investments consist of the common stock of one publicly traded company. Under GAAP, investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Interest and dividend income is recorded when earned.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of investments is based on Level 1 inputs, defined as unadjusted quoted prices for identical assets in active markets.

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NOTE 2 - SIGNIFICANT ACCOUNT POLICIES (Continued)

Due from Grantors: Due from grantors represents amounts receivable from cost reimbursement grants and performance-based service contracts where allowable costs have been incurred or the services have been performed. Amounts are stated at the amount billed or expected to be collected. All amounts are due from grantors within one year.

Contributions Receivable: Contributions receivable represents unconditional promises to give that are recorded at their realizable value. Unconditional promises to give are recognized in the period the promise is made. All contributions receivable are due within one year.

Allowances: Management estimates an allowance for doubtful receivables based on an evaluation of current economic conditions, historical trends, and other factors unique to its funding sources. Management believes that receivables are fully collectible at December 31, 2021 and 2020.

Property and Equipment: Expenditures for property and equipment in excess of \$5,000 are capitalized at cost or at fair value at the date of gift. Repairs and maintenance costs that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	3 - 10 years
Leasehold improvements	5 years

Property and equipment is comprised of furniture, equipment, and leasehold improvements with a net book value of \$6,453 and \$20,468, respectively, at December 31, 2021 and 2020. All property and equipment with a remaining net book value has been acquired with LSC grant funds. Property and equipment acquired in conjunction with a grant is considered to be owned by ILS. However, LSC has a reversionary interest in the property as well as the determination of use of any proceeds from the sale of those assets.

Impairment of Long-Lived Assets: On an ongoing basis, ILS reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. ILS recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows. No impairment is thought to exist at December 31, 2021 or 2020.

Unearned Revenue: LSC grant funds are considered a non-exchange transaction with conditions under ASU 2018-08. Unearned revenue consists of LSC funding received not yet spent as of the reporting date and therefore conditions associated with the funding are not considered met.

Revenue Recognition: Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction.

Revenues from cost-reimbursement grants are recognized in the period in which the related expenses are incurred. Grant activities, and expenses allocated to grants, are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

(Continued)

INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - SIGNIFICANT ACCOUNT POLICIES (Continued)

Donated Services: The financial statements include the value of legal services donated by attorneys and law students. For the years ended December 31, 2021 and 2020, donated services totaled \$99,055 and \$58,518, respectively. These amounts represent the number of hours worked by pro bono attorneys and students multiplied by the hourly rate that ILS would have paid if the services had been purchased. These services are recognized in the statements of activities both as revenue and expense and do not affect ILS's change in net assets.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Income Taxes: ILS is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, ILS is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

ILS follows guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

ILS does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. ILS recognizes interest and/or penalties related to income tax matters in income tax expense. ILS did not have any amounts accrued for interest and penalties at December 31, 2021 and 2020.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2021. Management has performed their analysis through May 31, 2022, the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Pokagon Band	\$ 130	\$ -
United Way of St. Joseph County	<u>4,767</u>	<u>4,767</u>
Total contributions receivable	<u>\$ 4,897</u>	<u>\$ 4,767</u>

(Continued)

INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose or passage of time		
LSC – property and equipment	\$ 6,453	\$ 20,468
Indiana Bar Foundation	7,630	77,470
Anderson Foundation	1,090	55,441
Indiana AIDS Fund	-	49,103
ICLEO	78,239	70,739
Indianapolis Bar Foundation	67,384	111,580
Aspire Indiana	57,080	-
CAP SEC	23,276	-
Lilly Endowment	175,510	-
Julian Center LAV	35,906	-
PLAID AWS Fort Wayne	41,554	-
Other	<u>10,597</u>	<u>50,524</u>
	<u>\$ 504,719</u>	<u>\$ 435,325</u>

Net assets were released from donor-imposed restrictions as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Indiana Bar Foundation	\$ 69,840	\$ 32,673
Legal assistance in specific counties	93,343	78,326
Anderson Foundation	54,351	33,580
Medical Legal Partnerships	771,545	514,083
PLAID – Mental Health America of Northeast Indiana	2,500	-
Indiana AIDS Fund	49,103	96,247
Lilly Endowment	74,490	-
PLAID AWS Fort Wayne	73,446	-
Other	<u>253,004</u>	<u>247,959</u>
	<u>\$ 1,441,622</u>	<u>\$ 1,002,868</u>

NOTE 5 - PRIVATE ATTORNEY INVOLVEMENT (PAI) EXPENSES

ILS is required by LSC to expend 12.5% of its LSC basic field grant on PAI activities and projects. ILS requested and was granted partial waivers from LSC of \$533,827 and \$606,109 to reduce its PAI requirement for fiscal year 2021 and 2020 to \$450,000 and \$325,000, respectively.

Actual PAI expenses for the year ended December 31, 2021 and 2020 were \$550,597 and \$393,562, respectively. For 2021 and 2020, the required PAI spending threshold was met. If ILS's actual expenses for PAI activities and projects fall short of the required amounts, LSC has the ability to require the amount of the shortfall be added to the following year's PAI required spending threshold.

(Continued)

INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 - LEASES

Operating Leases: ILS leases legal and administrative offices throughout Indiana, as well as off-site electronic file hosting that expire at various dates through October 2030. ILS also leases copier machines which expire at various dates through September 2022.

Future minimum lease payments under operating leases at December 31, 2020, are as follows:

2022	\$ 758,936
2023	697,330
2024	681,303
2025	693,978
2026	697,163
Thereafter	<u>2,641,221</u>
Total future minimum payments	<u>\$ 6,169,931</u>

Total rent expense for operating leases relating to the legal and administrative offices for 2021 and 2020 was \$738,650 and \$827,698, respectively, and is included in the statements of functional expenses as office rental. Total rent expense for the copier leases and all other equipment operating leases for 2021 and 2020 was \$60,000 and \$54,391, respectively, and is included in the statements of functional expenses as equipment rental.

In 2020, ILS relocated its Indianapolis office location and entered into a new lease agreement resulting in an early termination of the previous lease agreement. The deferred rent liability previously recognized resulted in a gain on lease conversion in the amount of \$149,915 presented in the statement of activities for the year ended December 31, 2020. There was no gain as of December 31, 2021. The new lease agreement also includes rent escalators throughout the lease term which expires in February 2031 resulting in a deferred rent liability of \$351,741 and \$144,560 as of December 31, 2021 and 2020, respectively. These balances are included with accounts payable and accrued expenses on the statement of financial position.

NOTE 7 - 401(k) RETIREMENT PLAN

ILS has an established 401(k) Profit Sharing Plan which covers all full-time employees who meet the plan's eligibility requirements. ILS contributes an amount equal to 1% of the participant's compensation plus an amount equal to the lesser of 50% of employee contributions made by each participant during the plan year or 3% of each participant's compensation. ILS made matching contributions during 2021 and 2020 of \$114,772 and \$161,632, respectively.

NOTE 8 - CONCENTRATIONS AND CONTINGENCIES

ILS maintains its cash in accounts which may, at times, exceed federally insured limits. ILS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

ILS is substantially funded by grants and contracts awarded directly and indirectly by the Federal government. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

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INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 - CONCENTRATIONS AND CONTINGENCIES (Continued)

In accordance with the terms of its contract with LSC (ILS's major funding source), ILS may use unexpended LSC funds in future periods as long as expenses incurred are in compliance with specified terms of the LSC contract. LSC may, at its discretion, request reimbursement for expenses or return of funds, both as a result of ILS's excess LSC net assets (defined by LSC to be in excess of 10% of current year LSC funding, including interest income) or noncompliance by ILS with the terms of the LSC contract. In addition, if ILS terminates its LSC contract activities, all unused funds are to be returned to LSC.

At December 31, 2020 and 2021, ILS's unexpended LSC net assets were in excess of 10% of current year LSC funding. In March 2021, LSC issued a program letter providing approval to all grant recipients to allow for the carryover of any excess LSC fund balances from 2020 into 2021, regardless of the amount. ILS is seeking approval from LSC to carry over their unused 2021 LSC funding into 2022.

NOTE 9 - LIQUIDITY AND AVAILABILITY

ILS's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 1,357,738	\$ 2,863,682
Cash held in escrow	164,657	79,626
Investments	24,904	24,904
Due from grantors	1,796,524	812,076
Contributions receivable	<u>4,897</u>	<u>4,767</u>
Total financial assets	3,348,720	3,785,055
Less amounts not available for general expenditure within one year:		
Cash held in escrow	<u>(164,657)</u>	<u>(79,626)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,184,063</u>	<u>\$ 3,705,429</u>

As part of ILS's liquidity management, ILS invests its financial assets to be available as its general expenditures, including donor restricted funds that will be used for operating expenditures in the next year, liabilities, and other obligations come due. ILS considers net assets with donor restrictions to be part of their ongoing general operating expenditures.

NOTE 10 - COVID-19 IMPACT AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of ILS could be materially adversely affected by future events. Significant estimates as disclosed in Note 1, including fair values of investments, collection of receivables, contributions, and expenses, among other things, may be materially adversely impacted by national, state and local events designed to contain the coronavirus.

(Continued)

INDIANA LEGAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 10 - COVID-19 IMPACT AND PAYCHECK PROTECTION PROGRAM (Continued)

In April 2020, ILS obtained a Payroll Protection Program (PPP) Loan under a program offered by the United States Small Business Administration (SBA) in the amount of \$1,838,800. ILS substantially met the conditions for forgiveness as of October 2020 when the funds were fully expended on eligible activities. The entire amount of the loan has been accounted for as a conditional contribution under ASC 958-605. ILS received formal forgiveness from the SBA in July 2021.

In April 2020, ILS also received a COVID-19 Response Grant through LSC in the amount of \$1,046,048 to supporting ongoing operations during the pandemic. As of December 31, 2020, \$832,743 of the COVID-19 Response Grant was expended. As of December 31, 2021, the remaining COVID-19 Response Grant was expended and is being shown within the Federal Support line of the statement of activities.

SUPPLEMENTARY INFORMATION

INDIANA LEGAL SERVICES, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Legal Services Corporation</u>			
Basic Field	09.515030	IN-5 FY2021	\$ 8,328,910
COVID-19 Response	09.515030	CV20056	223,305
TIG Tech	09.515030	TIG 20005	53,436
Migrant Farmworkers Project	09.515030	MIN FY2021	<u>379,851</u>
Total Legal Services Corporation			8,985,502
<u>U.S. Department of Health and Human Services</u>			
HIV Care Formula Grants	93.917	46893	<u>201,999</u>
Special Programs for the Aging, Title III, Part B, Grants For Supportive Services and Senior Centers Passed through from:			
CICOA, The Access Network	93.044	T3BFY 20-21, 21-22	394,005
Area II Agency on Aging	93.044	T3 OAA 20/21, 21/22	35,985
Area IV & V Agency on Aging	93.044	T3 OAA 20/21, 21/22	37,053
Southwest Indiana Regional Council on Aging	93.044	T3 OAA 20/21, 21/22	37,034
Area VI Community and Senior Services, Inc.	93.044	T3 OAA 20/21, 21/22	177,989
Area X Agency on Aging	93.044	T3 OAA 20/21, 21/22	22,213
Area XI Agency on Aging	93.044	T3 OAA 20/21, 21/22	36,289
West Central Economic Development District, Inc.	93.044	T3 OAA 20/21, 21/22	16,250
Northwest Indiana Community Action Corp.	93.044	T3 OAA 7/2019 – 6/2022	27,348
Agency and In-Home Services of NE Indiana	93.044	T3 OAA 20/21, 21/22	32,198
Generations	93.044	T3 OAA 20/21, 21/22	14,358
Elder Law of Michigan	93.044	35-6059654	<u>4,687</u>
			<u>835,409</u>
Total U.S. Department of Health and Human Services			<u>1,037,408</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through from:			
City of East Chicago Department of Redevelopment Community Development Block/Entitlement Grants	14.218	N/A	50,057
Passed-through from:			
City of Fort Wayne TALC Community Development Block/Entitlement Grants	14.218	35-6059654	<u>134,119</u>
Total Community Development Block/Entitlement Grants			<u>184,176</u>
Total U.S. Department of Housing and Urban Development			<u>184,176</u>
<u>U.S. Department of Justice</u>			
Passed-through from:			
Equal Justice Works Volunteers in Service to America	94.013	2020-CVJC-014	124,017
Passed-through from:			
Indiana Criminal Justice Institute LGBT Crime Victim Assistance	16.575	VOCA-2018-00248 47417	209,649
Passed-through from:			
Indiana Criminal Justice Institute LAVA Crime Victim Assistance	16.575	VOCA-2018-0247 47414	238,472
Passed-through from:			
Indiana Criminal Justice Institute DVV Crime Victim Assistance	16.575	VOCA-2018-00250 47418	242,484
Passed-through from:			
Indiana Criminal Justice Institute IMV Crime Victim Assistance	16.575	47431	130,524

(Continued)

INDIANA LEGAL SERVICES, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice (continued)</u>			
Passed-through from: Indiana Criminal Justice Institute WRAPP Crime Victim Assistance	16.575	47742	\$ 192,869
Passed-through from: Indiana Criminal Justice Institute COVID-19 - Crime Victim Assistance Total Crime Victim Assistance	16.575	48542	<u>203,003</u> <u>1,217,001</u>
Passed-through from: Eskenazi Health S.T.O.P Violence Against Women	16.588	D3-17-11359	<u>272,000</u>
Total U.S. Department of Justice			<u>1,613,018</u>
<u>U.S. Department of Treasury</u>			
Passed-through from: Internal Revenue Service Low Income Taxpayer Clinics	21.008	21-LITC0535-01-00	<u>125,000</u>
Total expenditures of federal awards			<u>\$11,945,104</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

INDIANA LEGAL SERVICES, INC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of ILS under programs of the federal government for the year ended December 31, 2021. 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 ILS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ILS.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ILS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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*

Board of Directors
Indiana Legal Services, Inc.
Indianapolis, Indiana

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 Indiana Legal Services, Inc. (ILS), which comprise the statement of financial position as of December 31, 2021, 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 May 31, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ILS'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 ILS's internal control. Accordingly, we do not express an opinion on the effectiveness of ILS'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ILS'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*.

ILS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on ILS's responses to the findings identified in our audit and are described in the accompanying schedule of findings and questioned costs. ILS's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Indianapolis, Indiana
May 31, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Indiana Legal Services, Inc.
Indianapolis, Indiana

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

We have audited Indiana Legal Service, Inc.'s (ILS) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of ILS's major federal programs for the year ended December 31, 2021. ILS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ILS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ILS 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 each major federal program. Our audit does not provide a legal determination of ILS'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 ILS's federal programs.

(Continued)

Auditor's 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 ILS'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance 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 ILS's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 ILS'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 ILS'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ILS'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on ILS's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. ILS's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

(Continued)

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 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on ILS's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. ILS's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Crowe LLP

Indianapolis, Indiana
May 31, 2022

INDIANA LEGAL SERVICES, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of report the audit issued on whether the
Financial statements audited were prepared
In accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

 X Yes _____ No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

09.515030

Legal Services Corporation Grants

93.044

Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

(Continued)

INDIANA LEGAL SERVICES, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

Section II – Financial Statement Findings

Finding 2021-001 – Controls Over Financial Reporting

Criteria: Applicable standards state that management is responsible for having internal controls in place to provide appropriate and reliable financial reports, and to select and apply appropriate accounting principles.

Condition: During the audit of several key transaction cycles, it was noted that management did not have adequate controls in place over financial reporting to allow for timely, accurate financial reporting resulting in multiple audit adjustments being proposed to and by management.

Context: As a result of audit procedures performed, multiple audit adjustments were posted by management impacting various financial statement line items including due to grantor, prepaid expenses, accounts payable and accrued expenses, and unearned revenue. The net effect of the entries on the statement of activities was an increase to total revenues of approximately \$3,322,500 and an increase in expense of approximately \$242,500 resulted in a net decrease to the change in net assets by approximately \$3,080,000.

Effect: The existence of inaccurate transaction postings, as well as unreconciled accounts can affect the financial statement information that is available for making informed business decisions and supervision of operations. This weakness in the financial reporting controls infrastructure increases the risk of errors in the financial records and is less likely to detect irregularities, including fraud, on a timely basis. A periodic reconciliation process allows for the preparation of accurate and timely financial statements.

Cause: The above condition appears to be a result of a lack of internal controls surrounding review and reconciliation of key transaction cycles.

Repeat Finding: Yes. See Finding 2020-001.

Recommendation: We recommend management implement internal control procedures which require general ledger accounts to be reconciled on at least a quarterly basis, and all journal entries to be reviewed.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

INDIANA LEGAL SERVICES, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

Section II – Financial Statement Findings (Continued)

Finding 2021-002 – Controls Surrounding the Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Criteria: Uniform Guidance, Section 200.510(b) requires the auditee prepare a complete and accurate SEFA.

Condition: During the testing and tie out of the SEFA to underlying accounting records, errors were noted resulting in material adjustments to the SEFA prepared by management.

Context: During testing of the SEFA, adjustments were made to SEFA to adjust balances to agree to underlying accounting records for various federal grants. In addition, the LSC COVID-19 Response and LSC TIG Tech funding was improperly excluded from the SEFA prepared by management.

Effect: Financial reporting of federal expenditures could be inaccurate or incomplete.

Cause: The above condition appears to be result of a lack of controls over the reporting of federal expenditures.

Repeat Finding: Yes. See Finding 2020-002.

Recommendation: We recommend management implement a timely review and reconciliation of federal grant expenditures reported on the SEFA to the underlying accounting records and compare to federal grant revenue balances to assess any potential cut-off issues that could impact amounts reported on the SEFA.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

Section III – Federal Awards Findings and Questioned Costs

Finding 2021-003 – Timekeeping Requirements

Information on the federal program: Basic Field, Migrant Farmworkers Project, COVID Response Grant (CFDA Number: 09.515030) – Legal Services Corporation

Criteria: Time spent by attorneys and paralegals must be documented by time records which record the amount of time spent on each case, matter, or supporting activity (45 CFR Section 1635.3(b)). Time records must be created contemporaneously and account for time in increments not greater than one-quarter of an hour which comprise all of the efforts of the attorneys and paralegals for which compensation is paid (45 CFR Section 1635.3(b)(1)).

Condition: Time recorded by attorneys and paralegals was not entered contemporaneously in accordance with LSC regulations and ILS' time keeping policy.

Questioned Cost: None.

Context: A sample of 15 separate selections was made of attorney and paralegal time entries from various one-week periods during 2021. The test found of the 15 selections, there was 1 selection that had a total of 1 daily entry in which time posted by attorneys and paralegals fell outside of ILS's contemporaneous timekeeping policy of 2 business days.

Effect: Noncompliance with timely time reporting requirements set forth under LSC regulations and ILS policy. We found no indications that during the test that ILS participated in any actual case or matter that violated LSC restrictions or prohibitions.

Cause: Attorneys and paralegals lack of timeliness of entering time into the Legal File system.

Repeat Finding: Yes. See Finding 2020-04.

Recommendation: We recommend ILS continue to train employees on the importance of timekeeping to ensure compliance with ILS policy and LSC regulations.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has prepared a corrective action plan.

INDIANA LEGAL SERVICES, INC
SCHEDULE OF ACTIVITIES – LEGAL SERVICES CORPORATION GRANTS
Year ended December 31, 2021

	Basic Field	Property	TIG Tech	Migrant Farmworkers Project	COVID	Total
Revenue						
LSC support	\$ 8,219,723	\$ -	\$ 53,436	\$ 379,851	\$ 223,305	\$ 8,876,315
Interest income	239	-	-	-	-	239
Attorney fees	<u>111,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,950</u>
	8,331,912	-	53,436	379,851	223,305	8,988,504
Expenses						
Lawyer salaries	2,362,627	-	-	78,642	187,175	2,628,444
Paralegal salaries	879,396	-	-	28,329	-	907,725
Other staff salaries	603,642	-	-	21,576	-	625,218
Fringe benefits	966,193	-	-	30,048	-	996,241
Litigation costs	8,010	-	-	359	12	8,381
Fundraising	3,328	-	-	98	-	3,426
Law library	18,843	-	-	305	-	19,148
Contract services	347,405	-	69,500	7,739	31,991	456,635
Travel	6,819	-	-	7,200	-	14,019
Office rental	204,386	-	-	4,179	-	208,565
Consumable supplies	34,610	-	-	565	802	35,977
Telephone	61,717	-	-	3,624	-	65,341
Utilities	8,742	-	-	75	-	8,817
Insurance	15,304	-	-	439	-	15,743
Postage	10,110	-	-	646	170	10,926
Printing	3,234	-	-	368	-	3,602
Staff training and conferences	26,315	-	-	2,061	-	28,376
Equipment rental	22,159	-	-	577	-	22,736
Depreciation expense	-	14,015	-	-	-	14,015
Acquisition of Property	20,569	-	-	586	3,155	24,310
Other	<u>1,707</u>	<u>-</u>	<u>-</u>	<u>244</u>	<u>-</u>	<u>1,951</u>
	<u>5,605,116</u>	<u>14,015</u>	<u>69,500</u>	<u>187,660</u>	<u>223,305</u>	<u>6,099,596</u>
Changes in net assets before transfers	2,726,796	(14,015)	(16,064)	192,191	-	2,888,908
Interfund Transfers						
LSC Basic Field matching fund transfer	(2,723,793)	-	16,064	(192,191)	-	(2,899,920)
Other transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,723,793)</u>	<u>-</u>	<u>16,064</u>	<u>(192,191)</u>	<u>-</u>	<u>(2,899,920)</u>
Changes in net assets	3,003	(14,015)	-	-	-	(11,012)
Net assets, beginning of year	<u>-</u>	<u>20,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,468</u>
Net assets, end of year	<u>\$ 3,003</u>	<u>\$ 6,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,456</u>

INDIANA LEGAL SERVICES, INC
SCHEDULE OF PAI EXPENSES
Year ended December 31, 2021

Lawyer salaries	\$ 213,462
Paralegal salaries	76,049
Other staff salaries	65,809
Fringe benefits	98,555
Minor furniture and equipment	2,487
Law library	1,765
Contract services	46,363
Office rental	19,133
Consumable supplies	3,678
Telephone	6,932
Utilities	732
Insurance	3,241
Postage	1,182
Printing	533
Depreciation	505
Equipment rental	2,160
Other	<u>8,011</u>
Total PAI expenses	<u>\$ 550,597</u>

INDIANA LEGAL SERVICES, INC
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
Year ended December 31, 2021

<u>Grantor / Program Title</u>	<u>Amount</u>
Pass-Through the Indiana Office of Court Services: Indiana Civil Legal Aid	<u>\$ 832,202</u>
Total state expenditures	<u><u>\$ 832,202</u></u>

**See schedule of expenditures of federal awards on pages 15 and 16 for federal grant activity.