SALT LAKE LEGAL DEFENDER ASSOCIATION

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2006 AND 2005

Hansen, Bradshaw, Malmrose & Erickson
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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Hansen, Bradshaw, Malmrose & Erickson
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the American Institute of Certified Public Accountants

Members of the Private Company Practice Section

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Salt Lake Legal Defender Association

We have audited the accompanying statements of financial position of Salt Lake Legal Defender Association (a nonprofit organization) as of December 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Legal Defender Association as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007 on our consideration of the Association'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

June 22, 2007

FINANCIAL STATEMENTS

Salt Lake Legal Defender Association

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

	2006	2005
Assets		
Cash and cash equivalents (Note B)	$ 604,198	$ 625,632
Unconditional promises to give (Note D)		
Grants from governmental agencies	9,083,620	8,497,050
Furniture and equipment, net (Note E)	264,602	349,930
Total assets	$ 9,952,420	$ 9,472,612
Liabilities		
Accounts payable	$ 37,410	$ 56,536
Accrued liabilities	454,647	410,601
Total liabilities	492,057	467,137
Commitments (Note F)	-	-
Net assets		
Unrestricted	376,743	508,425
Temporarily restricted (Note C)	9,083,620	8,497,050
Total net assets	9,460,363	9,005,475
Total liabilities and net assets	$ 9,952,420	$ 9,472,612

The accompanying notes are an integral part of these statements.

Salt Lake Legal Defender Association

STATEMENTS OF ACTIVITIES

Year Ended December 31,

	2006	2005
Unrestricted net assets		
Revenues and support		
Grants from governmental agencies	$ 436,912	$ 351,595
Interest income	77,334	35,464
Other revenue	2,453	26,256
	516,699	413,315
Net assets released from restrictions		
Grants from governmental agencies	8,497,050	8,020,344
Total unrestricted revenues and support	9,013,749	8,433,659
Expenses		
Program services		
Legal services	8,677,305	8,002,133
Support services		
General and administrative	468,126	385,687
	9,145,431	8,387,820
Increase (decrease) in unrestricted net assets	(131,682)	45,839
Temporarily restricted net assets		
Grants from governmental agencies	9,083,620	8,497,050
Net assets released from restrictions		
Expiration of time restrictions	(8,497,050)	(8,020,344)
Increase in temporarily restricted net assets	586,570	476,706
Increase in net assets	454,888	522,545
Net assets at beginning of year	9,005,475	8,482,930
Net assets at end of year	$ 9,460,363	$ 9,005,475

The accompanying notes are an integral part of these statements.

Salt Lake Legal Defender Association

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006

	Program Services	Support Services	
	Legal Services	General and Administrative	Total
Compensation and related expenses			
Compensation	$ 5,563,409	$ 314,000	$ 5,877,409
Employee benefits			
Retirement	559,282	31,566	590,848
Medical	850,356	47,994	898,350
Payroll taxes	377,995	21,334	399,329
	7,351,042	414,894	7,765,936
Conferences and training	62,524	-	62,524
Depreciation	102,398	5,779	108,177
Dues	29,206	-	29,206
Insurance			
Property and casualty	39,464	2,227	41,691
Professional	17,995	-	17,995
Library	78,707	-	78,707
Litigation expenses	194,682	-	194,682
Office supplies	201,843	11,392	213,235
Professional services	17,559	991	18,550
Rent and janitorial expenses	494,609	27,916	522,525
Telephone	34,650	1,956	36,606
Travel	52,626	2,971	55,597
	$ 8,677,305	$ 468,126	$ 9,145,431

The accompanying notes are an integral part of these statements.

Salt Lake Legal Defender Association

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2005

	Program Services	Support Services	
	Legal Services	General and Administrative	Total
Compensation and related expenses			
Compensation	$ 5,143,235	$ 259,347	$ 5,402,582
Employee benefits			
Retirement	519,382	26,190	545,572
Medical	736,081	37,117	773,198
Payroll taxes	373,000	18,808	391,808
	6,771,698	341,462	7,113,160
Conferences and training	50,261	-	50,261
Depreciation	111,499	5,622	117,121
Dues	26,335	-	26,335
Insurance			
Property and casualty	16,863	850	17,713
Professional	17,700	-	17,700
Library	68,421	-	68,421
Litigation expenses	190,646	-	190,646
Office supplies	154,608	7,796	162,404
Professional services	15,470	780	16,250
Rent and janitorial expenses	484,568	24,434	509,002
Telephone	44,601	2,249	46,850
Travel	48,299	2,435	50,734
Other	1,164	59	1,223
	$ 8,002,133	$ 385,687	$ 8,387,820

The accompanying notes are an integral part of these statements.

Salt Lake Legal Defender Association

STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2006	2005
Cash flows from operating activities		
Increase in net assets	$ 454,888	$ 522,545
Adjustments to reconcile increase in net assets to net assets provided by operating activities		
Depreciation	108,177	117,121
Loss on disposal of furniture and equipment	-	717
Changes in assets and liabilities		
Unconditional promises to give	(586,570)	(476,706)
Accounts payable	(19,126)	33,096
Accrued liabilities	44,046	24,373
Net cash provided by operating activities	1,415	221,146
Cash flows used in investing activities		
Acquisition of property and equipment	(22,849)	(225,082)
Net cash used in investing activities	(22,849)	(225,082)
Net decrease in cash and cash equivalents	(21,434)	(3,936)
Cash and cash equivalents at beginning of year	625,632	629,568
Cash and cash equivalents at end of year	$ 604,198	$ 625,632

The accompanying notes are an integral part of these statements.

Salt Lake Legal Defender Association

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. History and organization activity

Salt Lake Legal Defender Association (the Association) was established in 1964 as an independent non-profit corporation for the purpose of contracting with Salt Lake County and cities within the County to provide legal defense for those who are financially unable to employ private legal counsel. Vacancies in the Board of Directors are filled by majority vote of the remaining Board members.

2. Promises to give

Grants and contributions are recognized when the grantor or donor makes a promise to give to the Association that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Grants and contributions are reported as increases in temporarily or permanently restricted net assets when restrictions are imposed by grantors or donors. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There are currently no permanently restricted net assets.

3. 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.

4. Furniture and equipment

Depreciation of furniture and equipment is provided by the straight-line method over estimated lives of 5 years. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

5. Financial statement presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any grantor or donor restrictions.

7. Cash equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

8. Income taxes

The Association is exempt from federal income taxes as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE B - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash balances in one financial institution located in Salt Lake City, Utah. These balances are insured by the Federal Deposit Insurance Corporation up to $200,000. At December 31, 2006, the Company's uninsured balances (including outstanding checks) totaled $704,253.

NOTE C - RESTRICTIONS ON ASSETS

In 2006 and 2005, temporarily restricted net assets consist entirely of amounts that are available for subsequent periods.

Net assets released from restrictions consist of amounts for which the time restriction expired during the period and accordingly, could be reclassified to unrestricted net assets.

NOTE D - PROMISES TO GIVE

Promises to give consist of the following:

	2006	2005
Salt Lake County	$8,929,829	$8,380,352
Salt Lake City	153,791	116,698
	$9,083,620	$8,497,050

All promises to give are unconditional and are due in the following fiscal year. Uncollectible promises are expected to be insignificant.

NOTE E - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2006	2005
Furniture and equipment, at cost	$1,355,838	$1,333,459
Accumulated depreciation	1,091,236	983,529
	$ 264,602	$ 349,930

NOTE F - COMMITMENTS

The Association leases office and storage space under operating leases. The following is a schedule by year of minimum rental payments under such operating leases which expire at various dates through 2008.

Year ending December 31,	
2007	$ 506,490
2008	167,220
	$ 673,710

The Association incurred rental expense for the year ended December 31, 2006 of $522,525 ($509,002 in 2005).

The Association is self-insured for health and dental costs starting September 1, 1993. The Association has procured "stop-loss" insurance coverage for certain specified individual claims over $30,000. The "stop-loss" coverage also covers total claims paid by the Association exceeding $97,673 (which fluctuates by enrollment) in any one month period or exceeding a total of $1,172,075 at any time during the entire year. Estimated self-insurance liability is based upon a review by the Association and an independent insurance broker of claims filed and claims incurred but not reported. $84,899 has been accrued as of December 31, 2006 ($56,717 in 2005). Total self-insurance expense was $898,350 in 2006 ($773,198 in 2005).

NOTE G – RETIREMENT PLANS

Effective January 1, 1999, the Association maintains a profit-sharing plan which covers substantially all full-time employees who have completed one year of qualified service. Contributions to the profit-sharing plan are discretionary as determined by the Board of Directors. The profit-sharing contribution for the year ended December 31, 2006 was $193,445 ($174,805 in 2005). The profit-sharing plan also includes a provision under which eligible employees may defer up to 15% of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Association matches employee contributions on a discretionary basis. Association matching contributions to the 401(k) portion of the plan were $397,403 for the year ended December 31, 2006 ($370,767 in 2005).

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Hansen, Bradshaw, Malmrose & Erickson
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559 West 500 South
Bountiful, Utah 84010
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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Salt Lake Legal Defender Association

We have audited the financial statements of Salt Lake Legal Defender Association as of and for the year ended December 31, 2006, and have issued our report thereon dated June 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salt Lake Legal Defender Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake Legal Defender Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management and Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

June 22, 2007