



**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

GREATER BOSTON LEGAL SERVICES, INC.

Contents
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Greater Boston Legal Services, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Boston Legal Services, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets, 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. Those standards require that we plan and perform the audits 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 Greater Boston Legal Services, Inc. as of December 31, 2015 and 2014, 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.

Boston, Massachusetts
April 20, 2016

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Financial Position
December 31, 2015

Assets	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Property and Equipment				
Current Assets:							
Cash and cash equivalents	\$ 4,746,361	\$ -	\$ -	\$ 4,746,361	\$ 446,764	\$ -	\$ 5,193,125
Short-term investments	1,512,424	-	-	1,512,424	-	-	1,512,424
Grants and contracts receivable	637,954	-	-	637,954	-	-	637,954
Pledges receivable, net	820,504	-	-	820,504	42,000	-	862,504
Prepaid expenses, deposits and other	251,962	5,305	-	257,267	-	-	257,267
Total current assets	7,969,205	5,305	-	7,974,510	488,764	-	8,463,274
Investments	-	1,437,350	-	1,437,350	250,000	5,390,831	7,078,181
Building Capital Reserve	-	-	125,870	125,870	-	-	125,870
Property and Equipment, net	-	-	3,457,615	3,457,615	-	-	3,457,615
Due (To) From	638,474	(660,427)	173,538	151,585	290,820	(442,405)	-
Total assets	<u>\$ 8,607,679</u>	<u>\$ 782,228</u>	<u>\$ 3,757,023</u>	<u>\$ 13,146,930</u>	<u>\$ 1,029,584</u>	<u>\$ 4,948,426</u>	<u>\$ 19,124,940</u>
Liabilities and Net Assets							
Current Liabilities:							
Accrued compensation	\$ 1,830,393	\$ -	\$ -	\$ 1,830,393	\$ -	\$ -	\$ 1,830,393
Accounts payable and other accrued expenses	226,543	-	-	226,543	-	-	226,543
Total liabilities	2,056,936	-	-	2,056,936	-	-	2,056,936
Net Assets:							
Unrestricted:							
Operating	6,550,743	-	-	6,550,743	-	-	6,550,743
Board Designated - functioning as endowment	-	782,228	-	782,228	-	-	782,228
Board Designated - property and equipment	-	-	299,408	299,408	-	-	299,408
Property and equipment	-	-	3,457,615	3,457,615	-	-	3,457,615
Total unrestricted	6,550,743	782,228	3,757,023	11,089,994	-	-	11,089,994
Temporarily restricted	-	-	-	-	1,029,584	-	1,029,584
Permanently restricted	-	-	-	-	-	4,948,426	4,948,426
Total net assets	6,550,743	782,228	3,757,023	11,089,994	1,029,584	4,948,426	17,068,004
Total liabilities and net assets	<u>\$ 8,607,679</u>	<u>\$ 782,228</u>	<u>\$ 3,757,023</u>	<u>\$ 13,146,930</u>	<u>\$ 1,029,584</u>	<u>\$ 4,948,426</u>	<u>\$ 19,124,940</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Financial Position
December 31, 2014

Assets	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Property and Equipment				
Current Assets:							
Cash and cash equivalents	\$ 3,944,748	\$ -	\$ -	\$ 3,944,748	\$ 281,413	\$ -	\$ 4,226,161
Short-term investments	1,770,781	-	-	1,770,781	-	-	1,770,781
Grants and contracts receivable	549,849	-	-	549,849	-	-	549,849
Current portion of pledges receivable, net	1,144,210	-	-	1,144,210	128,298	-	1,272,508
Prepaid expenses, deposits and other	240,837	2,049	-	242,886	-	-	242,886
Total current assets	7,650,425	2,049	-	7,652,474	409,711	-	8,062,185
Investments	-	2,002,059	-	2,002,059	250,000	5,516,331	7,768,390
Pledges Receivable, net of current portion, discount and allowance	-	-	-	-	19,176	-	19,176
Building Capital Reserve	-	-	95,870	95,870	-	-	95,870
Property and Equipment, net	-	-	3,628,451	3,628,451	-	-	3,628,451
Due (To) From	407,371	(565,909)	158,538	-	567,905	(567,905)	-
Total assets	\$ 8,057,796	\$ 1,438,199	\$ 3,882,859	\$ 13,378,854	\$ 1,246,792	\$ 4,948,426	\$ 19,574,072
Liabilities and Net Assets							
Current Liabilities:							
Accrued compensation	\$ 1,799,391	\$ -	\$ -	\$ 1,799,391	\$ -	\$ -	\$ 1,799,391
Accounts payable and other accrued expenses	664,997	-	-	664,997	-	-	664,997
Total liabilities	2,464,388	-	-	2,464,388	-	-	2,464,388
Net Assets:							
Unrestricted:							
Operating	5,593,408	-	-	5,593,408	-	-	5,593,408
Board Designated - functioning as endowment	-	1,438,199	-	1,438,199	-	-	1,438,199
Board Designated - property and equipment	-	-	254,408	254,408	-	-	254,408
Property and equipment	-	-	3,628,451	3,628,451	-	-	3,628,451
Total unrestricted	5,593,408	1,438,199	3,882,859	10,914,466	-	-	10,914,466
Temporarily restricted	-	-	-	-	1,246,792	-	1,246,792
Permanently restricted	-	-	-	-	-	4,948,426	4,948,426
Total net assets	5,593,408	1,438,199	3,882,859	10,914,466	1,246,792	4,948,426	17,109,684
Total liabilities and net assets	\$ 8,057,796	\$ 1,438,199	\$ 3,882,859	\$ 13,378,854	\$ 1,246,792	\$ 4,948,426	\$ 19,574,072

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted			Temporarily Restricted			Permanently Restricted	Total	
	Operating	Board Designated	Property and Equipment	Total Unrestricted	Program and Time Restricted	Appreciation On Endowments			Total Temporarily Restricted
Operating Revenue and Support:									
Grants and contracts	\$ 8,148,606	\$ -	\$ -	\$ 8,148,606	\$ 22,668	\$ -	\$ 22,668	\$ -	\$ 8,171,274
Contributions and promises	5,261,365	-	-	5,261,365	425,210	-	425,210	-	5,686,575
Attorney fees	320,372	-	-	320,372	-	-	-	-	320,372
Investment return designated for current operations	252,569	-	-	252,569	-	-	-	-	252,569
Interest and other income	81,472	-	-	81,472	-	-	-	-	81,472
Net assets released from restrictions:									
Satisfaction of time restriction	296,098	-	-	296,098	(296,098)	-	(296,098)	-	-
Satisfaction of program restriction	89,167	-	-	89,167	(89,167)	-	(89,167)	-	-
Total operating revenue and support before donated services	14,449,649	-	-	14,449,649	62,613	-	62,613	-	14,512,262
Donated services	6,788,664	-	-	6,788,664	-	-	-	-	6,788,664
Total operating revenue and support	<u>21,238,313</u>	<u>-</u>	<u>-</u>	<u>21,238,313</u>	<u>62,613</u>	<u>-</u>	<u>62,613</u>	<u>-</u>	<u>21,300,926</u>
Operating Expenses:									
Salaries and related:									
Salaries - lawyers	5,371,340	-	-	5,371,340	-	-	-	-	5,371,340
Salaries - other	3,374,844	-	-	3,374,844	-	-	-	-	3,374,844
Payroll taxes and fringe benefits	3,089,407	-	-	3,089,407	-	-	-	-	3,089,407
Total salaries and related	<u>11,835,591</u>	<u>-</u>	<u>-</u>	<u>11,835,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,835,591</u>
Other:									
Occupancy	526,117	-	-	526,117	-	-	-	-	526,117
Office and related expenses	522,317	-	-	522,317	-	-	-	-	522,317
Grants awarded	346,306	-	-	346,306	-	-	-	-	346,306
Contract services	310,200	-	-	310,200	-	-	-	-	310,200
Other direct expenses	214,922	-	-	214,922	-	-	-	-	214,922
Depreciation	-	-	170,836	170,836	-	-	-	-	170,836
Library maintenance	97,462	-	-	97,462	-	-	-	-	97,462
Client litigation expenses	94,628	-	-	94,628	-	-	-	-	94,628
Travel and training	59,214	-	-	59,214	-	-	-	-	59,214
Total other	<u>2,171,166</u>	<u>-</u>	<u>170,836</u>	<u>2,342,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,342,002</u>
Total expenses before donated services	14,006,757	-	170,836	14,177,593	-	-	-	-	14,177,593
Donated services	6,788,664	-	-	6,788,664	-	-	-	-	6,788,664
Total operating expenses	<u>20,795,421</u>	<u>-</u>	<u>170,836</u>	<u>20,966,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,966,257</u>
Changes in net assets from operations	<u>442,892</u>	<u>-</u>	<u>(170,836)</u>	<u>272,056</u>	<u>62,613</u>	<u>-</u>	<u>62,613</u>	<u>-</u>	<u>334,669</u>
Non-Operating Revenue:									
Investment income, net of expenses of \$47,500	-	10,593	-	10,593	-	86,397	86,397	-	96,990
Net loss on investments	-	(6,137)	-	(6,137)	-	(214,633)	(214,633)	-	(220,770)
Investment return designated for current operations	-	(100,984)	-	(100,984)	-	(151,585)	(151,585)	-	(252,569)
Investment return restricted for program	-	-	-	-	121,908	(121,908)	-	-	-
Total non-operating revenue	<u>-</u>	<u>(96,528)</u>	<u>-</u>	<u>(96,528)</u>	<u>121,908</u>	<u>(401,729)</u>	<u>(279,821)</u>	<u>-</u>	<u>(376,349)</u>
Changes in net assets	<u>\$ 442,892</u>	<u>\$ (96,528)</u>	<u>\$ (170,836)</u>	<u>\$ 175,528</u>	<u>\$ 184,521</u>	<u>\$ (401,729)</u>	<u>\$ (217,208)</u>	<u>\$ -</u>	<u>\$ (41,680)</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted			Temporarily Restricted					Total
	Operating	Board Designated	Property and Equipment	Total Unrestricted	Program and Time Restricted	Appreciation On Endowment	Total Temporarily Restricted	Permanently Restricted	
Operating Revenue and Support:									
Grants and contracts	\$ 7,379,750	\$ -	\$ -	\$ 7,379,750	\$ 22,564	\$ -	\$ 22,564	\$ -	\$ 7,402,314
Contributions and promises	5,238,538	-	-	5,238,538	258,857	-	258,857	-	5,497,395
Attorney fees	737,704	-	-	737,704	-	-	-	-	737,704
Investment return designated for current operations	268,939	-	-	268,939	-	-	-	-	268,939
Interest and other income	73,758	-	-	73,758	-	-	-	-	73,758
Net assets released from restrictions:									
Satisfaction of time restriction	458,443	-	-	458,443	(458,443)	-	(458,443)	-	-
Satisfaction of program restriction	144,751	-	-	144,751	(144,751)	-	(144,751)	-	-
Total operating revenue and support before donated services	14,301,883	-	-	14,301,883	(321,773)	-	(321,773)	-	13,980,110
Donated services	7,082,926	-	-	7,082,926	-	-	-	-	7,082,926
Total operating revenue and support	21,384,809	-	-	21,384,809	(321,773)	-	(321,773)	-	21,063,036
Operating Expenses:									
Salaries and related:									
Salaries - lawyers	5,455,874	-	-	5,455,874	-	-	-	-	5,455,874
Salaries - other	3,927,252	-	-	3,927,252	-	-	-	-	3,927,252
Payroll taxes and fringe benefits	3,200,259	-	-	3,200,259	-	-	-	-	3,200,259
Total salaries and related	12,583,385	-	-	12,583,385	-	-	-	-	12,583,385
Other:									
Occupancy	439,823	-	-	439,823	-	-	-	-	439,823
Office and related expenses	404,554	-	-	404,554	-	-	-	-	404,554
Grants awarded	288,970	-	-	288,970	-	-	-	-	288,970
Contract services	342,023	-	-	342,023	-	-	-	-	342,023
Other direct expenses	276,573	-	-	276,573	-	-	-	-	276,573
Depreciation	-	-	172,294	172,294	-	-	-	-	172,294
Library maintenance	157,403	-	-	157,403	-	-	-	-	157,403
Client litigation expenses	92,657	-	-	92,657	-	-	-	-	92,657
Travel and training	61,767	-	-	61,767	-	-	-	-	61,767
Total other	2,063,770	-	172,294	2,236,064	-	-	-	-	2,236,064
Total expenses before donated services	14,647,155	-	172,294	14,819,449	-	-	-	-	14,819,449
Donated services	7,082,926	-	-	7,082,926	-	-	-	-	7,082,926
Total operating expenses	21,730,081	-	172,294	21,902,375	-	-	-	-	21,902,375
Changes in net assets from operations	(345,272)	-	(172,294)	(517,566)	(321,773)	-	(321,773)	-	(839,339)
Non-Operating Revenue:									
Investment income, net of expenses of \$46,000	-	3,404	-	3,404	-	27,276	27,276	-	30,680
Net gain (loss) on investments	-	(4,970)	-	(4,970)	-	211,889	211,889	-	206,919
Investment return designated for current operations	-	(116,371)	-	(116,371)	-	(152,568)	(152,568)	-	(268,939)
Grants for endowment	-	-	-	-	-	-	-	185,175	185,175
Total non-operating revenue	-	(117,937)	-	(117,937)	-	86,597	86,597	185,175	153,835
Changes in net assets	\$ (345,272)	\$ (117,937)	\$ (172,294)	\$ (635,503)	\$ (321,773)	\$ 86,597	\$ (235,176)	\$ 185,175	\$ (685,504)

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statements of Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	Unrestricted			Temporarily Restricted			Permanently Restricted	Total	
	Operating	Board Designated	Property and Equipment	Total Unrestricted	Program and Time Restricted	Appreciation On Endowment			Total Temporarily Restricted
Net Assets, December 31, 2013	<u>\$ 5,417,771</u>	<u>\$ 2,122,045</u>	<u>\$ 4,010,153</u>	<u>\$ 11,549,969</u>	<u>\$ 1,000,660</u>	<u>\$ 481,308</u>	<u>\$ 1,481,968</u>	<u>\$ 4,763,251</u>	<u>\$ 17,795,188</u>
Changes in net assets	<u>(345,272)</u>	<u>(117,937)</u>	<u>(172,294)</u>	<u>(635,503)</u>	<u>(321,773)</u>	<u>86,597</u>	<u>(235,176)</u>	<u>185,175</u>	<u>(685,504)</u>
Transfers:									
Board transfer for property and equipment additions	(15,000)	-	15,000	-	-	-	-	-	-
Transfer for severance expenses	565,909	(565,909)	-	-	-	-	-	-	-
Transfer for building capital reserve	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>520,909</u>	<u>(565,909)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, December 31, 2014	<u>5,593,408</u>	<u>1,438,199</u>	<u>3,882,859</u>	<u>10,914,466</u>	<u>678,887</u>	<u>567,905</u>	<u>1,246,792</u>	<u>4,948,426</u>	<u>17,109,684</u>
Changes in net assets	<u>442,892</u>	<u>(96,528)</u>	<u>(170,836)</u>	<u>175,528</u>	<u>184,521</u>	<u>(401,729)</u>	<u>(217,208)</u>	<u>-</u>	<u>(41,680)</u>
Transfers:									
Board transfer for property and equipment additions	(15,000)	-	15,000	-	-	-	-	-	-
Transfer for severance expenses	559,443	(559,443)	-	-	-	-	-	-	-
Transfer for building capital reserve	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>514,443</u>	<u>(559,443)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, December 31, 2015	<u>\$ 6,550,743</u>	<u>\$ 782,228</u>	<u>\$ 3,757,023</u>	<u>\$ 11,089,994</u>	<u>\$ 863,408</u>	<u>\$ 166,176</u>	<u>\$ 1,029,584</u>	<u>\$ 4,948,426</u>	<u>\$ 17,068,004</u>

GREATER BOSTON LEGAL SERVICES, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ (41,680)	\$ (685,504)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	170,836	172,294
Grants for endowment	-	(185,175)
Net (gain) loss on investments	220,770	(206,919)
Investment income, net of expenses	(96,990)	(30,680)
Change in discount of pledges receivable	(1,530)	(9,970)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(88,105)	(209,167)
Pledges receivable	430,710	297,766
Prepaid expenses, deposits and other	(14,381)	(12,290)
Accrued compensation	31,002	585,722
Accounts payable and other accrued expenses	(438,454)	25,157
	<u>172,178</u>	<u>(258,766)</u>
Net cash provided by (used in) operating activities		
Cash Flows From Investing Activities:		
Purchase of investments	(665,374)	(3,176,684)
Proceeds from sale of investments	1,393,170	797,021
Investment income, net of expenses	96,990	30,680
Decrease in cash - endowment	-	2,170,322
Increase in building capital reserve	(30,000)	(30,000)
	<u>794,786</u>	<u>(208,661)</u>
Net cash provided by (used in) investing activities		
Cash Flows From Financing Activities:		
Grants for endowment	-	197,309
	<u>966,964</u>	<u>(270,118)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents:		
Beginning of year	<u>4,226,161</u>	<u>4,496,279</u>
End of year	<u>\$ 5,193,125</u>	<u>\$ 4,226,161</u>

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS AND NONPROFIT STATUS

Greater Boston Legal Services, Inc. (the Agency) provides free legal assistance in non-criminal matters to persons financially unable to afford legal assistance in the metropolitan Boston area of Massachusetts.

The Agency is a nonprofit corporation exempt from Federal income taxes as an organization (not a private foundation) under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the requirements of the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Net Assets

Unrestricted net assets include the following:

- **Operating** represents amounts which bear no external restrictions and are available for operations.
- **Board Designated – Functioning as Endowment** represents amounts which have been designated by the Board of Directors for investment for future support of program operations. These net assets may not be expended for operations without the Board of Directors' approval.
- **Board Designated – Property and Equipment** represents amounts designated by the Board of Directors for future capital expenditures. These net assets may not be expended for operations without the Board of Directors' approval.
- **Property and Equipment** represents resources available and the net book value of the Agency's property and equipment, net of related debt, if any.

Temporarily Restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (program restricted) or amounts for unrestricted use in future periods (time restricted). Temporarily restricted net assets also include appreciation, if any, on permanently restricted net assets (endowment) in accordance with Massachusetts state law and the Agency's spending policy (see investment return allocations and spending policy note on page 12).

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Time restricted	\$ 239,436	\$ 333,274
Program restricted - operations	623,972	345,613
Appreciation on permanently restricted endowment	<u>166,176</u>	<u>567,905</u>
	<u>\$ 1,029,584</u>	<u>\$ 1,246,792</u>

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted net assets represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income and appreciation can be spent.

Permanently restricted net assets consist of the following at December 31, 2015 and 2014:

Harmonix Stockholder's Endowment	\$ 2,367,631
Access to Justice Fund	2,064,347
Hennessey Fund	318,579
General Endowment	115,275
Marks Fund	<u>82,594</u>
	<u>\$ 4,948,426</u>

The Harmonix Stockholder's Endowment was established in 2013 to support a community fellowship program. During 2014, donors contributed \$185,175 of new contributions to this endowment. There were no contributions received during 2015.

The Access to Justice Fund was established in 2001 to raise funds to support staff attorneys.

The Hennessey Fund was established in 1990 to raise funds to endow an attorney position.

The Marks Fund was established in 2006 as a separately named fund, with the same purpose as the Access to Justice Fund.

Revenue Recognition

The Agency reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Unrestricted support is recognized when received or unconditionally committed by the donor. Restricted support received and expended during the year is recorded as unrestricted revenue and support.

Contributions and promises include contributions and donations from Boston area law firms and corporate legal departments (approximately \$2,979,000 and \$3,014,000 in 2015 and 2014, respectively), other organizations and individuals. These contributions and promises are recognized as support when received or unconditionally pledged. Contributions and promises to give are recorded as temporarily restricted if there is a donor-imposed program or time restriction.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Massachusetts Legal Assistance Corporation (MLAC):

MLAC provides a significant portion of the Agency's grants and contracts revenue. MLAC is a nonprofit organization created by the Massachusetts Legislature to provide financial support for legal assistance programs. MLAC's distributions to the Agency and other legal assistance programs are funded by state appropriations and interest earned on Lawyer Trust Accounts. During 2015 and 2014, the Agency was awarded \$5,117,989 and \$4,551,712, respectively, from MLAC. The Agency recognizes MLAC grant revenue as granted each quarter. There were no restricted MLAC funds at December 31, 2015 and 2014. All Agency contracts and grants with MLAC are awarded annually.

Under the Agency's grant agreements with MLAC, the Agency agrees to follow MLAC's restrictions with respect to the use or disposition of net assets, records, equipment, supplies, or property purchased with MLAC funds. This will be applicable if the Agency's funding is terminated before the expected expiration date of the contract, or if the Agency ceases to receive funds from MLAC after the funding period.

Cost Reimbursable Grants and Contracts:

The Agency recognizes support from such sources when eligible costs are incurred. A receivable is recognized to the extent that contract support earned exceeds cash advances; conversely, contract cash advances exceeding eligible costs incurred are recorded as refundable advances.

Other Grants and Contracts:

The Agency recognizes income from other grant and contract sources as support ratably over the award period. Net assets remaining unused at the end of a period are carried as temporarily restricted net assets and released from restrictions to the unrestricted operating net assets as restrictions are satisfied.

The Agency receives a portion of its funding from the Commonwealth of Massachusetts and the Federal government under cost reimbursement contracts. Payments to the Agency are subject to audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of December 31, 2015 and 2014, or on the results of its operations for the years then ended.

All other revenue is recognized when earned.

Attorney Fees

Attorney fees are amounts that the Agency receives for representing clients in various litigations. These amounts are paid by the defendant and are approved by the courts. The Agency does not charge its clients legal fees except in certain Social Security disability cases where permitted by the Social Security Administration and MLAC. Accordingly, attorney fees are recognized when received.

GREATER BOSTON LEGAL SERVICES, INC.Notes to Financial Statements
December 31, 2015 and 2014**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Expense Classifications**

Operating expenses consist of the following components for the years ended December 31:

	2015		2014	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Program services	\$ 19,203,602	90.03%	\$ 20,007,820	91.35%
General and administrative	1,044,974	6.36%	1,171,777	5.35%
Fundraising	<u>717,681</u>	<u>3.61%</u>	<u>722,778</u>	<u>3.30%</u>
	<u>\$ 20,966,257</u>	<u>100.00%</u>	<u>\$ 21,902,375</u>	<u>100.00%</u>

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Property and Equipment and Depreciation

Operating assets used for property and equipment acquisitions and for long-term debt payments are accounted for as transfers from operating net assets to property and equipment net assets. Proceeds from the sale of property and equipment, if unrestricted, are transferred to operating net assets, or, if restricted, to the net assets that provided the cash to purchase the property and equipment.

Expenditures for property and equipment in excess of \$7,500, and leases representing the purchase of equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

Building and improvements	15 - 40 years
Computers and office equipment	3 - 10 years

The Agency depreciated the original cost of the law library of \$145,507 over five years. All additions to the law library are expensed when acquired.

Net property and equipment consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 418,000	\$ 418,000
Building and improvements	5,563,730	5,563,730
Computers and office equipment	1,797,330	1,797,330
Law library	<u>145,507</u>	<u>145,507</u>
	7,924,567	7,924,567
Less - accumulated depreciation	<u>4,466,952</u>	<u>4,296,116</u>
Net property and equipment	<u>\$ 3,457,615</u>	<u>\$ 3,628,451</u>

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy

Massachusetts follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, the Agency may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in donor endowment funds are donor-restricted assets until appropriated for expenditure by the Agency.

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. The Agency will annually distribute from its investment portfolios (Board designated and permanently restricted) an amount not to exceed 5% of the average values for each portfolio over the prior three years determined at least quarterly. Transfers to the operating net assets, in accordance with this policy, are reflected in the accompanying statements of activities.

The Agency's investment policy combined with the spending rate attempts to provide a predictable stream of returns combined with asset protection. Endowment assets include those assets restricted by donors that the Agency must hold in perpetuity. Under the Agency's investment policy and spending rate, both approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Finance Committee, advised by a third-party investment advisor, is responsible for selecting the investment managers of the Agency's portfolio. The Finance Committee's strategy is to include an array of different strategy and investment managers for the portfolio to minimize risk while providing investment returns exceeding industry benchmarks.

The Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value". There were no deficiencies as of December 31, 2015 and 2014.

Building Capital Reserve

The Board of Directors established a policy to annually fund a building reserve account. These funds are to be used for building improvements and replacements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants Awarded

Grant expense is recorded at the time awarded by the Agency.

Subsequent Events

Subsequent events have been evaluated through April 20, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Allowance for Uncollectible Grants, Contracts and Pledges

An allowance for potentially uncollectible grants, contracts and pledges receivable is provided based upon management's judgment of expected defaults. The determination includes factors such as prior collection history, type of contribution and nature of fundraising activity. There was no allowance for uncollectible grants and contracts as of December 31, 2015 or 2014. See Note 4 for the allowance for uncollectible pledges.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking and money market accounts, excluding amounts in the investment portfolio. Cash and cash equivalents are considered level 1 within the fair value hierarchy.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. A summary of inputs used in valuing the Agency's investments as of December 31, 2015 and 2014 is included in Note 3.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2015 and 2014. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

GREATER BOSTON LEGAL SERVICES, INC.Notes to Financial Statements
December 31, 2015 and 2014**3. INVESTMENTS**

The Agency maintains separate investment portfolios for permanently restricted (endowment) net assets, Board designated net assets - functioning as endowment, as well as operational resources. Investment income and appreciation earned on the permanently restricted net assets are recorded as temporarily restricted net assets (see Note 2).

The following table presents the Agency's investments by level within the valuation framework (see Note 2) as of December 31:

	2015			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 1,319,061	\$ -	\$ -	\$ 1,319,061
Fixed income:				
U.S. Government	-	675,399	-	675,399
Corporate	-	830,023	-	830,023
Bond funds	762,404	-	-	762,404
Massachusetts municipal bonds	-	1,512,424	-	1,512,424
Equities:				
U.S. large cap	2,889,367	-	-	2,889,367
U.S. mid cap	176,249	-	-	176,249
U.S. small cap	39,926	-	-	39,926
International	385,752	-	-	385,752
Total	<u>\$ 5,572,759</u>	<u>\$ 3,017,846</u>	<u>\$ -</u>	<u>\$ 8,590,605</u>
	2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,009,310	\$ -	\$ -	\$ 2,009,310
Fixed income:				
U.S. Government	-	778,752	-	778,752
Corporate	-	432,518	-	432,518
Bond funds	756,860	-	-	756,860
Massachusetts municipal bonds	-	1,770,781	-	1,770,781
Equities:				
U.S. large cap	3,133,279	-	-	3,133,279
U.S. mid cap	219,522	-	-	219,522
U.S. small cap	47,016	-	-	47,016
International	391,133	-	-	391,133
Total	<u>\$ 6,557,120</u>	<u>\$ 2,982,051</u>	<u>\$ -</u>	<u>\$ 9,539,171</u>

Money market funds, bond funds and equities are valued based on quoted market prices in active markets (Level 1 inputs).

Level 2 investments consist of U.S. Government and corporate bonds and municipal bonds. The value for these bonds are determined using other observable inputs such as prevailing interest rates, the market demand for such bonds, and the dates of maturity and purchase of the bonds.

GREATER BOSTON LEGAL SERVICES, INC.Notes to Financial Statements
December 31, 2015 and 2014**3. INVESTMENTS (Continued)**

Net gain (loss) on investments consists of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Net unrealized gain (loss) on investments	\$ (215,247)	\$ 141,782
Net realized gain (loss) on the sale of investments	<u>(5,523)</u>	<u>65,137</u>
	<u>\$ (220,770)</u>	<u>\$ 206,919</u>

In accordance with the Agency's investment return allocation policy, \$252,569 and \$268,939 has been designated for current operations for 2015 and 2014, respectively. During 2015, \$121,908 has been designated for specific program restrictions in accordance with the Harmonix investment return allocation policy. Investments are not insured and are subject to ongoing market fluctuations. Investments are presented as either current or long-term in the accompanying statements of financial position based on management's intent or donor restrictions.

4. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 862,504	\$ 1,299,817
One to five years	<u>-</u>	<u>25,500</u>
	862,504	1,325,317
Less - discount	-	1,530
Less - allowance for uncollectible pledges	<u>-</u>	<u>32,103</u>
	862,504	1,291,684
Less - current portion	<u>862,504</u>	<u>1,272,508</u>
	-	-
Long-term pledges receivable, net	<u>\$ -</u>	<u>\$ 19,176</u>

Pledges receivable as of December 31, 2014, had been discounted to present value using a discount rate of 4%.

5. DONATED SERVICES

Donated services represent time spent by various attorneys, students, and others in the Boston area in connection with legal assistance programs. Significant services are provided by Boston area universities and law firms. These services have been valued by the Agency using \$15 per hour for non-attorney time and \$150 per hour for attorney time. Donated services are recognized as both support and expense and, as a result, do not affect net assets.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

6. ENDOWMENTS

Changes in endowment net assets are as follows for the years ended December 31:

	Board Designated	Donor Restricted		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
2015				
Endowment net assets, December 31, 2014	\$ 1,438,199	\$ 567,905	\$ 4,948,426	\$ 6,954,530
Investment return:				
Investment income, net	10,593	86,397	-	96,990
Net loss	(6,137)	(214,633)	-	(220,770)
Total investment return	4,456	(128,236)	-	(123,780)
Subtotal	1,442,655	439,669	4,948,426	6,830,750
Transfer	(559,443)	-	-	(559,443)
Appropriation of endowment assets for expenditure	(100,984)	(273,493)	-	(374,477)
Endowment net assets, December 31, 2015	\$ 782,228	\$ 166,176	\$ 4,948,426	\$ 5,896,830
	Board Designated	Donor Restricted		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2014				
Endowment net assets, December 31, 2013	\$ 2,122,045	\$ 481,308	\$ 4,763,251	\$ 7,366,604
Investment return:				
Investment income, net	3,404	27,276	-	30,680
Net gain (loss)	(4,970)	211,889	-	206,919
Total investment return	(1,566)	239,165	-	237,599
Subtotal	2,120,479	720,473	4,763,251	7,604,203
Grants and transfer	(565,909)	-	185,175	(380,734)
Appropriation of endowment assets for expenditure	(116,371)	(152,568)	-	(268,939)
Endowment net assets, December 31, 2014	\$ 1,438,199	\$ 567,905	\$ 4,948,426	\$ 6,954,530

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

7. LINE OF CREDIT AGREEMENT

The Agency has a line of credit with a bank. Advances are available according to a formula defined in the agreement up to \$2,500,000 at December 31, 2015 and 2014. Borrowings are payable on demand, bear interest at the bank's base lending rate (3.5% and 3.25% at December 31, 2015 and 2014, respectively), and are secured by a first mortgage on the Agency's building. There was no outstanding balance under this line of credit at December 31, 2015 and 2014. This line of credit is renewable annually in June.

8. LEASES

The Agency leases space for a community branch of its program under an annual lease, with monthly rental payments of \$5,084. The Agency is also responsible for certain operating costs. Effective December 31, 2015, the Agency renewed the lease agreement for this space under the same terms. The lease expires on December 31, 2016, and contains a one-year extension option. The Agency also leases various space for programs, with monthly rental payments of \$767. These agreements expire at various dates through 2018. The cost of the rental space for the years ended December 31, 2015 and 2014, was \$73,577 and \$68,214, respectively. These costs are included in occupancy in the accompanying financial statements.

The Agency leases equipment under operating lease agreements, with monthly payments aggregating \$2,653. These leases expire at various dates through December 2020.

Future minimum lease payments remaining under these agreements are as follows:

	<u>Space</u>	<u>Equipment</u>
2016	\$ 75,010	\$ 31,841
2017	\$ 5,000	\$ 31,841
2018	\$ 3,750	\$ 31,190
2019	\$ -	\$ 30,539
2020	\$ -	\$ 30,539

9. CAPITAL RESERVE TRANSFERS

The Agency voted to transfer \$45,000 in 2015 and 2014 to the property and equipment net assets fund for the following year's equipment purchases and the building capital reserve. These funds are transferred and spent based on a capital budget.

10. CLIENT ESCROW FUNDS

The Agency maintains and administers client funds relative to cases which are currently in litigation. The amounts are paid out as directed by the clients. Because the funds do not belong to the Agency, they are not included in the accompanying statements of financial position. The amount held in escrow was \$333,243 and \$144,914 at December 31, 2015 and 2014, respectively.

11. RENTAL INCOME

The Agency leases space in its building to a nonprofit organization under a one-year lease agreement, renewable annually on December 31st. During 2015 and 2014, this lease was renewed under the same terms. Future minimum rental income to be received in 2016 is \$39,203.

During 2015 and 2014, the Agency received \$39,923 and \$42,363, respectively, in rental payments and tenant operating costs from the above lease. These amounts are included in other income in the accompanying statements of activities.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2015 and 2014

12. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan under IRC Section 403(b). All employees who have completed two years of service and have reached the age of 18 are eligible to participate in the plan. The Agency's Board of Directors, at its discretion, may annually elect to contribute to the plan. The plan allows for participant contributions. Employer contributions vest immediately and are allocated to participant's accounts, as defined in the plan.

During the years ended December 31, 2015 and 2014, the Board of Directors approved contributions of \$360,000 to the plan. These contributions are included in payroll taxes and fringe benefits in the accompanying statements of activities.

13. COLLECTIVE BARGAINING AGREEMENTS

The Agency has signed two collective bargaining agreements which expired on December 31, 2015. The Agency is in the process of extending these agreements. Approximately 75% of the Agency's employees are covered under these agreements.

14. CONCENTRATIONS

The Agency received approximately 39% and 36% of its total operating revenue and support before donated services from MLAC (see page 10) for the years ended December 31, 2015 and 2014, respectively.

The Agency maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency monitors on a regular basis the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum.

15. CONDITIONAL GRANT

During the year ended December 31, 2015, the Agency was awarded a conditional grant of \$385,000 from a donor, of which \$192,500 was earned during the year ended December 31, 2015. The portion of the grant that was earned during 2015 is included in grants and contracts in the accompanying statement of activities. The remaining balance of the grant award is conditional upon the Agency meeting certain conditions as required by the grant agreement and, accordingly, is not reflected in the accompanying financial statements, as these conditions were not met as of December 31, 2015. The award will be recorded as grant income as the conditions are met.