



**FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**GREATER BOSTON LEGAL SERVICES, INC.**

Contents  
December 31, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, changes in net assets, cash flows and functional expenses 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, 2019 and 2018, 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.

*AAFCPAs, Inc.*

Westborough, Massachusetts  
July 2, 2020

**GREATER BOSTON LEGAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2019

Assets	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions		
Current Assets:						
Cash and cash equivalents	\$ 4,116,457	\$ -	\$ -	\$ 4,116,457	\$ 1,199,435	\$ 5,315,892
Cash - client escrow	124,997	-	-	124,997	-	124,997
Grants and contracts receivable	2,560,014	-	-	2,560,014	-	2,560,014
Pledges receivable	509,485	-	-	509,485	-	509,485
Prepaid expenses, deposits and other	324,614	11,873	-	336,487	-	336,487
Total current assets	<u>7,635,567</u>	<u>11,873</u>	<u>-</u>	<u>7,647,440</u>	<u>1,199,435</u>	<u>8,846,875</u>
Investments	-	6,472,201	2,107,185	8,579,386	8,059,148	16,638,534
Property and Equipment, net	-	-	3,027,609	3,027,609	-	3,027,609
Due (To) From	<u>(277,851)</u>	<u>-</u>	<u>277,851</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,357,716</u>	<u>\$ 6,484,074</u>	<u>\$ 5,412,645</u>	<u>\$ 19,254,435</u>	<u>\$ 9,258,583</u>	<u>\$ 28,513,018</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accrued compensation	\$ 1,658,554	\$ -	\$ -	\$ 1,658,554	\$ -	\$ 1,658,554
Accounts payable and other accrued expenses	188,501	-	-	188,501	-	188,501
Total current liabilities	<u>1,847,055</u>	<u>-</u>	<u>-</u>	<u>1,847,055</u>	<u>-</u>	<u>1,847,055</u>
Client Escrow Payable	<u>124,997</u>	<u>-</u>	<u>-</u>	<u>124,997</u>	<u>-</u>	<u>124,997</u>
Total liabilities	<u>1,972,052</u>	<u>-</u>	<u>-</u>	<u>1,972,052</u>	<u>-</u>	<u>1,972,052</u>
Net Assets:						
Without donor restrictions:						
Operating	5,385,664	-	-	5,385,664	-	5,385,664
Board Designated - functioning as endowment	-	6,484,074	-	6,484,074	-	6,484,074
Board Designated - property and equipment	-	-	2,385,036	2,385,036	-	2,385,036
Property and equipment	-	-	3,027,609	3,027,609	-	3,027,609
Total without donor restrictions	<u>5,385,664</u>	<u>6,484,074</u>	<u>5,412,645</u>	<u>17,282,383</u>	<u>-</u>	<u>17,282,383</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,258,583</u>	<u>9,258,583</u>
Total net assets	<u>5,385,664</u>	<u>6,484,074</u>	<u>5,412,645</u>	<u>17,282,383</u>	<u>9,258,583</u>	<u>26,540,966</u>
Total liabilities and net assets	<u>\$ 7,357,716</u>	<u>\$ 6,484,074</u>	<u>\$ 5,412,645</u>	<u>\$ 19,254,435</u>	<u>\$ 9,258,583</u>	<u>\$ 28,513,018</u>

The accompanying notes are an integral part of these statements.

**GREATER BOSTON LEGAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2018

Assets	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions		
Current Assets:						
Cash and cash equivalents	\$ 7,070,189	\$ -	\$ 65,000	\$ 7,135,189	\$ 1,983,931	\$ 9,119,120
Cash - client escrow	194,041	-	-	194,041	-	194,041
Grants and contracts receivable	1,554,309	-	-	1,554,309	-	1,554,309
Pledges receivable	870,567	-	-	870,567	-	870,567
Prepaid expenses, deposits and other	298,602	14,108	-	312,710	-	312,710
Total current assets	<u>9,987,708</u>	<u>14,108</u>	<u>65,000</u>	<u>10,066,816</u>	<u>1,983,931</u>	<u>12,050,747</u>
Investments	-	2,047,153	1,678,801	3,725,954	5,953,642	9,679,596
Property and Equipment, net	-	-	3,175,457	3,175,457	-	3,175,457
Due (To) From	(205,734)	-	205,734	-	-	-
Total assets	<u>\$ 9,781,974</u>	<u>\$ 2,061,261</u>	<u>\$ 5,124,992</u>	<u>\$ 16,968,227</u>	<u>\$ 7,937,573</u>	<u>\$ 24,905,800</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accrued compensation	\$ 1,540,821	\$ -	\$ -	\$ 1,540,821	\$ -	\$ 1,540,821
Accounts payable and other accrued expenses	241,135	-	-	241,135	-	241,135
Total current liabilities	<u>1,781,956</u>	<u>-</u>	<u>-</u>	<u>1,781,956</u>	<u>-</u>	<u>1,781,956</u>
Client Escrow Payable	194,041	-	-	194,041	-	194,041
Total liabilities	<u>1,975,997</u>	<u>-</u>	<u>-</u>	<u>1,975,997</u>	<u>-</u>	<u>1,975,997</u>
Net Assets:						
Without donor restrictions:						
Operating	7,805,977	-	-	7,805,977	-	7,805,977
Board Designated - functioning as endowment	-	2,061,261	-	2,061,261	-	2,061,261
Board Designated - property and equipment	-	-	1,949,535	1,949,535	-	1,949,535
Property and equipment	-	-	3,175,457	3,175,457	-	3,175,457
Total without donor restrictions	<u>7,805,977</u>	<u>2,061,261</u>	<u>5,124,992</u>	<u>14,992,230</u>	<u>-</u>	<u>14,992,230</u>
With donor restrictions	-	-	-	-	7,937,573	7,937,573
Total net assets	<u>7,805,977</u>	<u>2,061,261</u>	<u>5,124,992</u>	<u>14,992,230</u>	<u>7,937,573</u>	<u>22,929,803</u>
Total liabilities and net assets	<u>\$ 9,781,974</u>	<u>\$ 2,061,261</u>	<u>\$ 5,124,992</u>	<u>\$ 16,968,227</u>	<u>\$ 7,937,573</u>	<u>\$ 24,905,800</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, 2019

	Without Donor Restrictions				With Donor Restrictions				
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions	Program and Time Restricted	Appreciation on Donor Restricted Endowments Held in Perpetuity	Donor Restricted Endowments Held in Perpetuity	Total With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>									
Grants and contracts	\$ 10,916,036	\$ -	\$ -	\$ 10,916,036	\$ 30,001	\$ -	\$ -	\$ 30,001	\$ 10,946,037
Contributions and promises	5,355,352	-	-	5,355,352	827,741	-	-	827,741	6,183,093
Attorney fees	177,668	-	-	177,668	-	-	-	-	177,668
Interest and other income	87,205	-	-	87,205	-	-	-	-	87,205
Net assets released from donor restrictions:									
Satisfaction of time restriction	763,596	-	-	763,596	(763,596)	-	-	(763,596)	-
Satisfaction of program restriction	238,550	-	-	238,550	(238,550)	-	-	(238,550)	-
Total operating revenue and support before donated services	17,538,407	-	-	17,538,407	(144,404)	-	-	(144,404)	17,394,003
Donated services	5,202,510	-	-	5,202,510	-	-	-	-	5,202,510
Total operating revenue and support	22,740,917	-	-	22,740,917	(144,404)	-	-	(144,404)	22,596,513
<b>Operating Expenses:</b>									
Program	18,945,426	-	189,723	19,135,149	-	-	-	-	19,135,149
General and administrative	1,265,402	-	15,592	1,280,994	-	-	-	-	1,280,994
Fundraising	620,402	-	9,430	629,832	-	-	-	-	629,832
Total operating expenses	20,831,230	-	214,745	21,045,975	-	-	-	-	21,045,975
Changes in net assets from operations	1,909,687	-	(214,745)	1,694,942	(144,404)	-	-	(144,404)	1,550,538
<b>Non-Operating Revenue:</b>									
Net gain on investments	-	381,270	153,475	534,745	-	1,171,966	-	1,171,966	1,706,711
Grants for endowment	-	-	-	-	-	-	185,857	185,857	185,857
Investment income, net of expenses of \$59,077	-	41,543	18,923	60,466	-	107,591	-	107,591	168,057
Total non-operating revenue	-	422,813	172,398	595,211	-	1,279,557	185,857	1,465,414	2,060,625
Changes in net assets	\$ 1,909,687	\$ 422,813	\$ (42,347)	\$ 2,290,153	\$ (144,404)	\$ 1,279,557	\$ 185,857	\$ 1,321,010	\$ 3,611,163

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Activities

For the Year Ended December 31, 2018

	Without Donor Restrictions			With Donor Restrictions					Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions	Program and Time Restricted	Appreciation on Donor Restricted Endowments Held in Perpetuity	Donor Restricted Endowments Held in Perpetuity	Total With Donor Restrictions	
<b>Operating Revenue and Support:</b>									
Grants and contracts	\$ 9,783,613	\$ -	\$ -	\$ 9,783,613	\$ 28,335	\$ -	\$ -	\$ 28,335	\$ 9,811,948
Contributions and promises	5,328,783	-	-	5,328,783	992,582	-	-	992,582	6,321,365
Attorney fees	237,442	-	-	237,442	-	-	-	-	237,442
Interest and other income	65,531	-	-	65,531	-	-	-	-	65,531
Net assets released from donor restrictions:									
Satisfaction of time restriction	291,095	-	-	291,095	(291,095)	-	-	(291,095)	-
Satisfaction of program restriction	612,050	-	-	612,050	(612,050)	-	-	(612,050)	-
Total operating revenue and support before donated services	16,318,514	-	-	16,318,514	117,772	-	-	117,772	16,436,286
Donated services	5,403,941	-	-	5,403,941	-	-	-	-	5,403,941
Total operating revenue and support	21,722,455	-	-	21,722,455	117,772	-	-	117,772	21,840,227
<b>Operating Expenses:</b>									
Program	18,050,177	-	189,531	18,239,708	-	-	-	-	18,239,708
General and administrative	1,340,913	-	15,576	1,356,489	-	-	-	-	1,356,489
Fundraising	635,062	-	9,421	644,483	-	-	-	-	644,483
Total operating expenses	20,026,152	-	214,528	20,240,680	-	-	-	-	20,240,680
Changes in net assets from operations	1,696,303	-	(214,528)	1,481,775	117,772	-	-	117,772	1,599,547
<b>Non-Operating Revenue:</b>									
Net loss on investments	-	(124,721)	(6,087)	(130,808)	-	(275,121)	-	(275,121)	(405,929)
Grants for endowment	-	-	-	-	-	-	660,092	660,092	660,092
Investment income, net of expenses of \$49,932	-	20,226	1,188	21,414	-	47,011	-	47,011	68,425
Total non-operating revenue	-	(104,495)	(4,899)	(109,394)	-	(228,110)	660,092	431,982	322,588
Changes in net assets	\$ 1,696,303	\$ (104,495)	\$ (219,427)	\$ 1,372,381	\$ 117,772	\$ (228,110)	\$ 660,092	\$ 549,754	\$ 1,922,135

GREATER BOSTON LEGAL SERVICES, INC.

Statements of Changes in Net Assets  
For the Years Ended December 31, 2019 and 2018

	Without Donor Restrictions				With Donor Restrictions				Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions	Program and Time Restricted	Appreciation on Donor Restricted Endowments Held in Perpetuity	Donor Restricted Endowments Held in Perpetuity	Total With Donor Restrictions	
<b>Net Assets, December 31, 2017</b>	<u>\$ 6,975,826</u>	<u>\$ 2,165,756</u>	<u>\$ 4,478,267</u>	<u>\$ 13,619,849</u>	<u>\$ 1,471,067</u>	<u>\$ 948,326</u>	<u>\$ 4,968,426</u>	<u>\$ 7,387,819</u>	<u>\$ 21,007,668</u>
Changes in net assets	<u>1,696,303</u>	<u>(104,495)</u>	<u>(219,427)</u>	<u>1,372,381</u>	<u>117,772</u>	<u>(228,110)</u>	<u>660,092</u>	<u>549,754</u>	<u>1,922,135</u>
Transfers:									
Transfer for building capital reserve	<u>(851,152)</u>	<u>-</u>	<u>851,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Board transfer for property and equipment additions	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>(866,152)</u>	<u>-</u>	<u>866,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, December 31, 2018</b>	<u>7,805,977</u>	<u>2,061,261</u>	<u>5,124,992</u>	<u>14,992,230</u>	<u>1,588,839</u>	<u>720,216</u>	<u>5,628,518</u>	<u>7,937,573</u>	<u>22,929,803</u>
Changes in net assets	<u>1,909,687</u>	<u>422,813</u>	<u>(42,347)</u>	<u>2,290,153</u>	<u>(144,404)</u>	<u>1,279,557</u>	<u>185,857</u>	<u>1,321,010</u>	<u>3,611,163</u>
Transfers:									
Transfer for building capital reserve	<u>(315,000)</u>	<u>-</u>	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Board transfer for property and equipment additions	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Board designated endowment	<u>(4,000,000)</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>(4,330,000)</u>	<u>4,000,000</u>	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, December 31, 2019</b>	<u>\$ 5,385,664</u>	<u>\$ 6,484,074</u>	<u>\$ 5,412,645</u>	<u>\$ 17,282,383</u>	<u>\$ 1,444,435</u>	<u>\$ 1,999,773</u>	<u>\$ 5,814,375</u>	<u>\$ 9,258,583</u>	<u>\$ 26,540,966</u>



**GREATER BOSTON LEGAL SERVICES, INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 3,611,163	\$ 1,922,135
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	214,745	214,528
Grants for endowment	(185,857)	(660,092)
Net loss (gain) on investments	(1,706,711)	405,929
Investment income, net of expenses	(168,057)	(68,425)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(1,005,705)	1,239,725
Pledges receivable	361,082	272,483
Prepaid expenses, deposits and other	(23,777)	979
Accrued compensation	117,733	(3,455)
Accounts payable and other accrued expenses	(52,634)	5,233
Client escrow payable	(69,044)	6,017
Net cash provided by operating activities	<u>1,092,938</u>	<u>3,335,057</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(66,897)	(102,452)
Purchase of investments	(17,695,128)	(4,305,224)
Proceeds from sale of investments	12,442,901	2,544,025
Investment income, net of expenses	168,057	68,425
Net cash used in investing activities	<u>(5,151,067)</u>	<u>(1,795,226)</u>
<b>Cash Flows from Financing Activities:</b>		
Grants for endowment	185,857	660,092
<b>Net Change in Cash and Restricted Cash</b>	<u>(3,872,272)</u>	<u>2,199,923</u>
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>9,313,161</u>	<u>7,113,238</u>
End of year	<u>\$ 5,440,889</u>	<u>\$ 9,313,161</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 5,315,892	\$ 9,119,120
Cash - client escrow	124,997	194,041
Total cash and restricted cash	<u>\$ 5,440,889</u>	<u>\$ 9,313,161</u>

The accompanying notes are an integral part of these statements.

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GREATER BOSTON LEGAL SERVICES, INC.

Statements of Functional Expenses  
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
<b>Salaries and Related:</b>								
Salaries - lawyers	\$ 5,933,388	\$ 149,917	\$ 16,657	\$ 6,099,962	\$ 5,390,550	\$ 293,948	\$ 16,287	\$ 5,700,785
Payroll taxes and fringe benefits	3,236,867	301,652	144,991	3,683,510	3,165,347	300,709	136,803	3,602,859
Salaries - other	2,390,335	663,162	374,948	3,428,445	2,252,082	516,585	352,455	3,121,122
Total salaries and related	11,560,590	1,114,731	536,596	13,211,917	10,807,979	1,111,242	505,545	12,424,766
<b>Other:</b>								
Office and related expenses	480,893	33,109	40,193	554,195	441,604	37,628	38,997	518,229
Occupancy	412,111	33,855	20,475	466,441	423,493	28,300	17,115	468,908
Grants awarded	394,133	-	-	394,133	264,403	-	-	264,403
Contract services	303,530	49,815	7,191	360,536	243,431	127,820	22,333	393,584
Other direct expenses	303,585	15,641	10,266	329,492	216,013	17,304	46,299	279,616
Depreciation	189,723	15,592	9,430	214,745	189,531	15,576	9,421	214,528
Library maintenance	119,456	-	194	119,650	108,123	-	102	108,225
Client litigation expenses	112,708	-	-	112,708	97,583	-	-	97,583
Travel and training	56,420	18,251	4,977	79,648	43,607	18,619	4,671	66,897
Total other	2,372,559	166,263	92,726	2,631,548	2,027,788	245,247	138,938	2,411,973
Total operating expenses before donated services	13,933,149	1,280,994	629,322	15,843,465	12,835,767	1,356,489	644,483	14,836,739
<b>Donated Services</b>	5,202,000	-	510	5,202,510	5,403,941	-	-	5,403,941
Total operating expenses	\$ 19,135,149	\$ 1,280,994	\$ 629,832	\$ 21,045,975	\$ 18,239,708	\$ 1,356,489	\$ 644,483	\$ 20,240,680

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 1. OPERATIONS AND NONPROFIT STATUS

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

GBLS 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). GBLS is also exempt from state income taxes. Donors may deduct contributions made to GBLS within the requirements of the IRC regulations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

GBLS prepares its financial statements in accordance with generally accepted accounting standards (U.S. GAAP) 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).

#### Adoption of New Accounting Standards

On January 1, 2019, GBLS adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Due to GBLS's revenue recognition policies and nature of contractual revenue for services performed, there was not a material impact to revenue recognition as a result of adopting this standard. GBLS adopted Topic 606 with an initial application date of January 1, 2019, using the full-retrospective method. The adoption of this ASU did not impact GBLS's net asset classes, results of operations, or cash flows for the year ended December 31, 2018.

On January 1, 2019, GBLS adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain non-exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. GBLS adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019. There were no material changes to the recognition of contribution revenue during 2019.

In 2019, GBLS adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Adoption of New Accounting Standards (Continued)

The adoption of ASU 2016-18 resulted in the following changes to GBL's cash flow classification for the year ended December 31, 2018:

<u>Statement of Cash Flows</u>	<u>2018 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2018 As Adjusted</u>
Operating activities	\$ 3,329,040	\$ 6,017	\$ 3,335,057
Investing activities	(795,226)	(1,000,000)	(1,795,226)
Financing activities	<u>660,092</u>	<u>-</u>	<u>660,092</u>
Net change in cash and restricted cash	<u>\$ 3,193,906</u>	<u>\$ (993,983)</u>	<u>\$ 2,199,923</u>

#### Net Assets

*Net Assets Without Donor Restrictions* 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. During 2019, the Board voted to transfer \$4,000,000 to the Board designated endowment.
- **Board Designated - Property and Equipment** represents amounts designated by the Board of Directors for future capital expenditures (see Note 9). These net assets may not be expended for operations without the Board of Directors' approval.
- **Property and Equipment** represent resources available and the net book value of GBL's property and equipment, net of related debt, if any.

*Net Assets With Donor Restrictions* represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (program restricted) or amounts for use in future periods (time restricted). Net assets with donor restrictions also include appreciation, if any, on donor restricted endowments held in perpetuity in accordance with Massachusetts state law and GBL's spending policy (see investment return allocations and spending policy note on page 14).

Donor restricted endowments held in perpetuity 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.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

#### Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Donor Restricted Endowments Held in Perpetuity:		
Access to Justice Fund	\$ 2,900,296	\$ 2,724,439
Harmonix Stockholder's Endowment	2,397,631	2,387,631
Hennessey Fund	318,579	318,579
General Endowment	115,275	115,275
Marks Fund	82,594	82,594
Program restricted - operations	884,435	1,228,578
Appreciation on donor restricted endowments held in perpetuity	1,999,773	720,216
Time restricted	<u>560,000</u>	<u>360,261</u>
	<u>\$ 9,258,583</u>	<u>\$ 7,937,573</u>

The Access to Justice Fund was established in 2001 to raise funds to support staff attorneys. Donors contributed \$175,857 and \$650,092 of new contributions to this endowment during 2019 and 2018, respectively.

The Harmonix Stockholder's Endowment (Harmonix) was established in 2013 to support a community fellowship program. A donor contributed \$10,000 of new contributions to this endowment during 2019 and 2018.

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

In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, GBLS must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that GBLS should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. GBLS had significant conditional grants and contracts at December 31, 2019 (see Note 13). For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied. Contributions and grants without donor restrictions are recognized as revenue when received or unconditionally pledged.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

GBLS reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Support without donor restrictions is recognized when received or unconditionally committed by the donor. Support with donor restrictions received and expended during the year is recorded as revenue and support without donor restrictions.

Contributions and promises include contributions and donations from Boston area law firms and corporate legal departments (approximately \$3,121,000 and \$3,265,000 in 2019 and 2018, 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 support with donor restrictions if there is a donor-imposed program or time restriction.

#### Massachusetts Legal Assistance Corporation (MLAC):

MLAC provides a significant portion of GBLS'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 GBLS and other legal assistance programs are funded by Federal and state appropriations and interest earned on Lawyer Trust Accounts. During 2019 and 2018, GBLS was awarded \$8,062,626 and \$7,211,844, respectively, from MLAC. GBLS recognizes MLAC grant revenue as granted each quarter. There were no restricted MLAC funds at December 31, 2019 and 2018. All GBLS contracts and grants with MLAC are awarded annually.

Under GBLS's grant agreements with MLAC, GBLS 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 GBLS's funding is terminated before the expected expiration date of the contract, or if GBLS ceases to receive funds from MLAC after the funding period.

#### Cost Reimbursable Grants and Contracts:

GBLS 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.

GBLS receives a portion of its funding from the Commonwealth of Massachusetts and the Federal government under cost reimbursement contracts. Payments to GBLS 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 GBLS as of December 31, 2019 and 2018, or on the results of its operations for the years then ended.

#### Other Grants and Contracts:

GBLS 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 net assets with donor restrictions and released from restrictions to the operating net assets without donor restrictions as restrictions are satisfied.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### Attorney Fees:

Attorney fees are amounts that GBLS receives for representing clients in various litigations. These amounts are paid by the defendant and are approved by the courts. Attorney fees generally consist of a single performance obligation to provide services, and agreements with clients do not contain variable consideration. GBLS 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, which is also when the performance obligation is satisfied.

All other revenue is recognized when earned.

#### Expense Allocation

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.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, occupancy, and depreciation, which are allocated based on an estimate of time and level of effort spent on GBLS's program and supporting functions.

#### 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 net assets without donor restrictions - operating to net assets without donor restrictions - property and equipment. Proceeds from the sale of property and equipment, if without donor restrictions, 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

GBLS 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>2019</u>	<u>2018</u>
Land	\$ 418,000	\$ 418,000
Building and improvements	5,846,480	5,792,057
Computers and office equipment	1,890,897	1,878,423
Law library	<u>145,507</u>	<u>145,507</u>
	8,300,884	8,233,987
Less - accumulated depreciation	<u>5,273,275</u>	<u>5,058,530</u>
Net property and equipment	<u>\$ 3,027,609</u>	<u>\$ 3,175,457</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, GBLS 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 GBLS.

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. If needed, GBLS may distribute from its investment portfolios (Board designated and donor restricted endowments) 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 Board of Directors elected not to distribute from the investment portfolio for the years ended December 31, 2019 and 2018.

GBLS'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 GBLS must hold in perpetuity. Under GBLS'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, GBLS 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 GBLS'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.

GBLS classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowments, (b) the original value of subsequent gifts to the donor restricted endowments, and (c) accumulations to the donor restricted endowments 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 funds that is not classified as net assets with donor restrictions and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by GBLS.

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, 2019 and 2018.

**Investment Income**

GBLS records interest and dividends on its investments when earned. GBLS recognizes realized gains and losses on investments within the period realized, and recognizes unrealized gains and losses based on fair value fluctuations during the period.



## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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. The building capital reserve is included in investments in the accompanying statements of financial position and totaled \$2,107,185 and \$1,678,801 at December 31, 2019 and 2018, respectively.

#### 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

Grants awarded are recorded at the time awarded by GBLS.

#### Subsequent Events

Subsequent events have been evaluated through July 2, 2020, which is the date the financial statements were available to be issued. See Note 15 for an event that met the criteria for disclosure in the financial statements.

#### Allowance for Uncollectible Grants and Contracts Receivable

An allowance for potentially uncollectible grants and contracts 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. It is GBLS's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for uncollectible grants, contracts and pledges as of December 31, 2019 or 2018.

#### Fair Value Measurements

GBLS 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 GBLS would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

GBLS 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 GBLS. 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, 2019 and 2018

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### 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 GBLS 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 GBLS's investments as of December 31, 2019 and 2018, 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**

GBLS 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 statements regarding a tax position taken or expected to be taken in a tax return. GBLS has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019 and 2018. GBLS's information returns are subject to examination by the Federal and state jurisdictions.

#### **Statements of Activities**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities. Peripheral or incidental transactions are reported as non-operating revenue. Non-operating revenue includes grants for endowment and investment activity (see Note 3).

**GREATER BOSTON LEGAL SERVICES, INC.**

Notes to Financial Statements  
December 31, 2019 and 2018

**3. INVESTMENTS**

GBLS maintains separate investment portfolios for net assets with donor restrictions, Board designated net assets - functioning as endowment, Board designated net assets - property and equipment, as well as operational resources. Investment income and appreciation earned on the donor restricted endowments are recorded as net assets without donor restrictions (see Note 2).

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

	<b>2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money market funds	\$ 2,473,939	\$ -	\$ -	\$ 2,473,939
Fixed income:				
U.S. Government bonds	-	560,814	-	560,814
Corporate bonds	-	2,771,641	-	2,771,641
Government agency	-	101,868	-	101,868
Taxable Municipal	-	103,690	-	103,690
Equities:				
U.S. large cap	9,290,981	-	-	9,290,981
U.S. mid cap	864,555	-	-	864,555
U.S. small cap	471,046	-	-	471,046
Total	<u>\$ 13,100,521</u>	<u>\$ 3,538,013</u>	<u>\$ -</u>	<u>\$ 16,638,534</u>
	<b>2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money market funds	\$ 377,945	\$ -	\$ -	\$ 377,945
Fixed income:				
U.S. Government bonds	-	2,488,434	-	2,488,434
Corporate bonds	-	708,673	-	708,673
Government agency	-	99,849	-	99,849
Taxable Municipal	-	716,999	-	716,999
Equities:				
U.S. large cap	4,845,014	-	-	4,845,014
U.S. small cap	49,818	-	-	49,818
International	392,864	-	-	392,864
Total	<u>\$ 5,665,641</u>	<u>\$ 4,013,955</u>	<u>\$ -</u>	<u>\$ 9,679,596</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 government, municipal and corporate bonds. The value for these bonds is 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, 2019 and 2018

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**3. INVESTMENTS (Continued)**

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

	<u>2019</u>	<u>2018</u>
Net realized gain on the sale of investments	\$ 1,757,249	\$ 3,077
Net unrealized loss on investments	<u>(50,538)</u>	<u>(409,006)</u>
	<u>\$ 1,706,711</u>	<u>\$ (405,929)</u>

Investments are not insured and are subject to ongoing market fluctuations. Investments are presented as long-term in the accompanying statements of financial position based on management's intent or donor restrictions.

**4. CLIENT ESCROW FUNDS**

GBLS maintains and administers client funds relative to cases which are currently in litigation. The amounts are paid out as directed by the clients. The amounts held in escrow totaled \$124,997 and \$194,041 at December 31, 2019 and 2018, respectively, and are shown as cash - client escrow and client escrow payable in the accompanying statements of financial position.

**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 GBLS 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, 2019 and 2018**6. ENDOWMENTS**

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

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Total
		Appreciation on Donor Restricted Endowments Held in Perpetuity	Donor Restricted Endowments Held in Perpetuity		
Endowment net assets, December 31, 2017	<u>\$ 2,165,756</u>	<u>\$ 948,326</u>	<u>\$ 4,968,426</u>	<u>\$ 5,916,752</u>	<u>\$ 8,082,508</u>
Investment return:					
Investment income, net	20,226	47,011	-	47,011	67,237
Net loss	<u>(124,721)</u>	<u>(275,121)</u>	<u>-</u>	<u>(275,121)</u>	<u>(399,842)</u>
Total investment return	<u>(104,495)</u>	<u>(228,110)</u>	<u>-</u>	<u>(228,110)</u>	<u>(332,605)</u>
Subtotal	2,061,261	720,216	4,968,426	5,688,642	7,749,903
Grants	<u>-</u>	<u>-</u>	<u>660,092</u>	<u>660,092</u>	<u>660,092</u>
Endowment net assets, December 31, 2018	<u>2,061,261</u>	<u>720,216</u>	<u>5,628,518</u>	<u>6,348,734</u>	<u>8,409,995</u>
Investment return:					
Investment income, net	41,543	107,591	-	107,591	149,134
Net gain	<u>381,270</u>	<u>1,171,966</u>	<u>-</u>	<u>1,171,966</u>	<u>1,553,236</u>
Total investment return	<u>422,813</u>	<u>1,279,557</u>	<u>-</u>	<u>1,279,557</u>	<u>1,702,370</u>
Subtotal	2,484,074	1,999,773	5,628,518	7,628,291	10,112,365
Transfer to Board designated endowment	4,000,000	-	-	-	4,000,000
Grants	<u>-</u>	<u>-</u>	<u>185,857</u>	<u>185,857</u>	<u>185,857</u>
Endowment net assets, December 31, 2019	<u>\$ 6,484,074</u>	<u>\$ 1,999,773</u>	<u>\$ 5,814,375</u>	<u>\$ 7,814,148</u>	<u>\$ 14,298,222</u>

**7. LINE OF CREDIT AGREEMENT**

GBLS 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, 2019 and 2018. Borrowings are payable on demand, bear interest at the bank's base lending rate (4.75% and 5.50% at December 31, 2019 and 2018, respectively), and are secured by a first mortgage on GBLS's building. There was no outstanding balance under this line of credit at December 31, 2019 and 2018. This line of credit is renewable annually in June.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 8. LEASES

GBLS leases space for a community branch of its program under an annual lease, with monthly rental payments of \$5,841 and \$5,733 for the years ended December 31, 2019 and 2018, respectively. GBLS is also responsible for certain operating costs. Effective December 31, 2019, GBLS renewed the lease agreement for this space under the same terms through January 1, 2021, with monthly rental payments of \$5,949.

GBLS also leases various space for programs and storage, with monthly rental payments totaling \$1,337. These agreements expire at various dates through 2020. The cost of the rental space for the years ended December 31, 2019 and 2018, was \$80,824 and \$79,153, respectively. These costs are included in occupancy in the accompanying statements of functional expenses.

GBLS leases equipment under operating lease agreements, with monthly payments aggregating \$2,998. These leases expire at various dates through June 2024.

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

	<u>Facility</u>	<u>Equipment</u>
2020	\$ 71,388	\$ 34,350
2021	-	3,811
2022	-	3,811
2023	-	811
2024	-	<u>811</u>
Total	<u>\$ 71,388</u>	<u>\$ 43,594</u>

### 9. CAPITAL RESERVE TRANSFERS

GBLS's Board of Directors voted to transfer \$330,000 and \$763,700 in 2019 and 2018, respectively, 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. During 2018, GBLS transferred \$102,452 of net assets to fund the current year's property and equipment purchases.

### 10. RETIREMENT PLAN

GBLS 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. GBLS'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, 2019 and 2018, the Board of Directors approved contributions of \$333,849 and \$296,498, respectively, to the plan. These contributions are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

### 11. COLLECTIVE BARGAINING AGREEMENTS

GBLS had two collective bargaining agreements which expired on December 31, 2017, and were extended through June 30, 2018. Negotiations of these contracts were ongoing as of December 31, 2018, and the contracts were settled during 2019. The new agreement expires on December 31, 2021, and is retroactively effective as of January 1, 2019. Approximately 75% of GBLS's employees are covered under these agreements.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

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### 12. CONCENTRATIONS

GBLS received approximately 36% and 33% of its total operating revenue and support before donated services from MLAC (see Note 2) for the years ended December 31, 2019 and 2018, respectively.

GBLS 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. GBLS monitors on a regular basis the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum.

### 13. CONDITIONAL GRANTS

GBLS was awarded two conditional grants totaling \$2,855,000 from donors, of which \$927,500 and \$710,000 were recorded during the years ended December 31, 2019 and 2018, respectively. The portion of the grants that was earned during 2019 and 2018 is included in grants and contracts in the accompanying statements of activities. The remaining balance of the grant awards of \$717,500 at December 31, 2019, is conditional upon GBLS meeting certain conditions as required by the grant agreements and, accordingly, is not reflected in the accompanying financial statements, as these conditions were not met as of December 31, 2019. The awards will be recorded as grant revenue as the conditions are met.

During 2019, GBLS received grants and contracts (including Federal and state contracts) totaling approximately \$15,395,000 that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. GBLS recognizes these grants and contributions when donor-imposed conditions are met. Conditional promises to give at December 31, 2019, total \$4,980,967, and are conditional until allowable qualifying expenses are incurred in future periods.

### 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

GBLS's financial assets without donor restrictions available within one year from the statements of financial position date for general operating expenses are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,116,457	\$ 7,070,189
Grants and contracts receivable	2,560,014	1,554,309
Pledges receivable	<u>509,485</u>	<u>870,567</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,185,956</u>	<u>\$ 9,495,065</u>

GBLS's endowment funds consist of donor restricted endowments held in perpetuity. Income from donor restricted endowments held in perpetuity is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 2, the endowment has a spending rate of up to 5%. As part of GBLS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, GBLS has committed a line of credit in the amount of \$2.5 million (see Note 7), which it could draw upon.

## **GREATER BOSTON LEGAL SERVICES, INC.**

Notes to Financial Statements  
December 31, 2019 and 2018

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### **15. SUBSEQUENT EVENT**

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on GBLS's operations and financial position. Any financial impact to GBLS, if any, cannot be reasonably estimated at this time. However, subsequent to December 31, 2019, GBLS has applied for and was awarded a loan from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of \$2,445,000. The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a twenty-four-week period ending September 30, 2020. A portion of these funds may be forgiven, as defined in the agreement, at the end of the twenty-four-week period and the remainder of the funds will be due with interest at 1%. The repayment will be deferred until February 2021 when the note, plus interest, will be due in equal monthly payments through April 2022.