



**FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**GREATER BOSTON LEGAL SERVICES, INC.**

Contents  
December 31, 2020 and 2019

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50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpa.com

## 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, 2020 and 2019, 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, 2020 and 2019, 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  
May 12, 2021

**GREATER BOSTON LEGAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2020

<b>Assets</b>	<b>Without Donor Restrictions</b>				<b>With Donor Restrictions</b>	<b>Total</b>
	<b>Operating</b>	<b>Board Designated</b>	<b>Property and Equipment</b>	<b>Total Without Donor Restrictions</b>		
Current Assets:						
Cash and cash equivalents	\$ 6,469,938	\$ -	\$ -	\$ 6,469,938	\$ 1,572,923	\$ 8,042,861
Cash - client escrow	137,263	-	-	137,263	-	137,263
Grants and contracts receivable	1,133,862	-	-	1,133,862	-	1,133,862
Pledges receivable	572,846	-	-	572,846	-	572,846
Prepaid expenses, deposits and other	141,896	11,398	-	153,294	-	153,294
Total current assets	8,455,805	11,398	-	8,467,203	1,572,923	10,040,126
Investments	125,000	10,702,981	2,443,807	13,271,788	8,706,750	21,978,538
Property and Equipment, net	-	-	2,826,312	2,826,312	-	2,826,312
Due (To) From	(359,997)	-	359,997	-	-	-
Total assets	<u>\$ 8,220,808</u>	<u>\$ 10,714,379</u>	<u>\$ 5,630,116</u>	<u>\$ 24,565,303</u>	<u>\$ 10,279,673</u>	<u>\$ 34,844,976</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Client escrow payable	\$ 137,263	\$ -	\$ -	\$ 137,263	\$ -	\$ 137,263
Accrued compensation	2,017,975	-	-	2,017,975	-	2,017,975
Accounts payable and other accrued expenses	169,241	-	-	169,241	-	169,241
Refundable advance	124,073	-	-	124,073	-	124,073
Total current liabilities	2,448,552	-	-	2,448,552	-	2,448,552
Paycheck Protection Program Loan	2,445,000	-	-	2,445,000	-	2,445,000
Total liabilities	4,893,552	-	-	4,893,552	-	4,893,552
Net Assets:						
Without donor restrictions:						
Operating	3,327,256	-	-	3,327,256	-	3,327,256
Board Designated - functioning as endowment	-	10,714,379	-	10,714,379	-	10,714,379
Board Designated - property and equipment	-	-	2,803,804	2,803,804	-	2,803,804
Property and equipment	-	-	2,826,312	2,826,312	-	2,826,312
Total without donor restrictions	3,327,256	10,714,379	5,630,116	19,671,751	-	19,671,751
With donor restrictions	-	-	-	-	10,279,673	10,279,673
Total net assets	<u>3,327,256</u>	<u>10,714,379</u>	<u>5,630,116</u>	<u>19,671,751</u>	<u>10,279,673</u>	<u>29,951,424</u>
Total liabilities and net assets	<u>\$ 8,220,808</u>	<u>\$ 10,714,379</u>	<u>\$ 5,630,116</u>	<u>\$ 24,565,303</u>	<u>\$ 10,279,673</u>	<u>\$ 34,844,976</u>

The accompanying notes are an integral part of these statements.

**GREATER BOSTON LEGAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2019

<b>Assets</b>	<b>Without Donor Restrictions</b>				<b>With Donor Restrictions</b>	<b>Total</b>
	<b>Operating</b>	<b>Board Designated</b>	<b>Property and Equipment</b>	<b>Total Without Donor Restrictions</b>		
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:						
Client escrow payable	\$ 124,997	\$ -	\$ -	\$ 124,997	\$ -	\$ 124,997
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>1,972,052</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	-	-	-	-	9,258,583	9,258,583
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 Activities  
For the Year Ended December 31, 2020

	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	\$ 10,855,323	\$ -	\$ -	\$ 10,855,323	\$ 32,917	\$ -	\$ -	\$ 32,917	\$ 10,888,240
Contributions and promises	5,311,151	-	-	5,311,151	1,334,583	-	-	1,334,583	6,645,734
Investment return designated for current operations	425,000	-	-	425,000	-	-	-	-	425,000
Attorney fees	194,224	-	-	194,224	-	-	-	-	194,224
Interest and other income	155,374	-	-	155,374	-	-	-	-	155,374
Net assets released from donor restrictions:									
Satisfaction of time restriction	675,893	-	-	675,893	(675,893)	-	-	(675,893)	-
Satisfaction of program restriction	438,119	-	-	438,119	(438,119)	-	-	(438,119)	-
 Total operating revenue and support before donated services	 18,055,084	 -	 -	 18,055,084	 253,488	 -	 -	 253,488	 18,308,572
Donated services	3,030,404	-	-	3,030,404	-	-	-	-	3,030,404
 Total operating revenue and support	 21,085,488	 -	 -	 21,085,488	 253,488	 -	 -	 253,488	 21,338,976
<b>Operating Expenses:</b>									
Program	17,439,661	-	178,243	17,617,904	-	-	-	-	17,617,904
General and administrative	1,367,514	-	14,366	1,381,880	-	-	-	-	1,381,880
Fundraising	738,721	-	8,688	747,409	-	-	-	-	747,409
 Total operating expenses	 19,545,896	 -	 201,297	 19,747,193	 -	 -	 -	 -	 19,747,193
 Changes in net assets from operations	 1,539,592	 -	 (201,297)	 1,338,295	 253,488	 -	 -	 253,488	 1,591,783
<b>Non-Operating Revenue:</b>									
Net gain on investments	-	881,067	312,719	1,193,786	-	800,637	-	800,637	1,994,423
Investment income, net of expenses of \$113,109	-	106,238	26,049	132,287	-	106,965	-	106,965	239,252
Grants for endowment	-	-	-	-	-	-	10,000	10,000	10,000
Investment return designated for current operations	-	(275,000)	-	(275,000)	-	(150,000)	-	(150,000)	(425,000)
 Total non-operating revenue	 -	 712,305	 338,768	 1,051,073	 -	 757,602	 10,000	 767,602	 1,818,675
 Changes in net assets	 \$ 1,539,592	 \$ 712,305	 \$ 137,471	 \$ 2,389,368	 \$ 253,488	 \$ 757,602	 \$ 10,000	 \$ 1,021,090	 \$ 3,410,458

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Activities

For the Year Ended December 31, 2019

	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	\$ 10,910,036	\$ -	\$ -	\$ 10,910,036	\$ 30,001	\$ -	\$ -	\$ 30,001	\$ 10,940,037
Contributions and promises	5,361,352	-	-	5,361,352	827,741	-	-	827,741	6,189,093
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
Investment income, net of expenses of \$59,077	-	41,543	18,923	60,466	-	107,591	-	107,591	168,057
Grants for endowment	-	-	-	-	-	-	185,857	185,857	185,857
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

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, 2020 and 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>Net Assets, December 31, 2018</b>	\$ 7,805,977	\$ 2,061,261	\$ 5,124,992	\$ 14,992,230	\$ 1,588,839	\$ 720,216	\$ 5,628,518	\$ 7,937,573	\$ 22,929,803
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
Transfers:									
Transfer for building capital reserve	(315,000)	-	315,000	-	-	-	-	-	-
Board transfer for property and equipment additions	(15,000)	-	15,000	-	-	-	-	-	-
Transfer to Board designated endowment	(4,000,000)	4,000,000	-	-	-	-	-	-	-
Total transfers	(4,330,000)	4,000,000	330,000	-	-	-	-	-	-
<b>Net Assets, December 31, 2019</b>	5,385,664	6,484,074	5,412,645	17,282,383	1,444,435	1,999,773	5,814,375	9,258,583	26,540,966
Changes in net assets	1,539,592	712,305	137,471	2,389,368	253,488	757,602	10,000	1,021,090	3,410,458
Transfers:									
Transfer for building capital reserve	(65,000)	-	65,000	-	-	-	-	-	-
Board transfer for property and equipment additions	(15,000)	-	15,000	-	-	-	-	-	-
Transfer to Board designated endowment	(3,518,000)	3,518,000	-	-	-	-	-	-	-
Total transfer	(3,598,000)	3,518,000	80,000	-	-	-	-	-	-
<b>Net Assets, December 31, 2020</b>	\$ 3,327,256	\$ 10,714,379	\$ 5,630,116	\$ 19,671,751	\$ 1,697,923	\$ 2,757,375	\$ 5,824,375	\$ 10,279,673	\$ 29,951,424



**GREATER BOSTON LEGAL SERVICES, INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 3,410,458	\$ 3,611,163
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	201,297	214,745
Grants for endowment	(10,000)	(185,857)
Net gain on investments	(1,994,423)	(1,706,711)
Investment income, net of expenses	(239,252)	(168,057)
Changes in operating assets and liabilities:		
Grants and contracts receivable	1,426,152	(1,005,705)
Pledges receivable	(63,361)	361,082
Prepaid expenses, deposits and other	183,193	(23,777)
Client escrow payable	12,266	(69,044)
Accrued compensation	359,421	117,733
Accounts payable and other accrued expenses	(19,260)	(52,634)
Refundable advance	124,073	-
Net cash provided by operating activities	<u>3,390,564</u>	<u>1,092,938</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	-	(66,897)
Purchase of investments	(9,407,603)	(17,695,128)
Proceeds from sale of investments	6,062,022	12,442,901
Investment income, net of expenses	239,252	168,057
Net cash used in investing activities	<u>(3,106,329)</u>	<u>(5,151,067)</u>
<b>Cash Flows from Financing Activities:</b>		
Grants for endowment	10,000	185,857
Proceeds from Paycheck Protection Program loan	2,445,000	-
Net cash provided by financing activities	<u>2,455,000</u>	<u>185,857</u>
<b>Net Change in Cash and Restricted Cash</b>	2,739,235	(3,872,272)
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>5,440,889</u>	<u>9,313,161</u>
End of year	<u>\$ 8,180,124</u>	<u>\$ 5,440,889</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 8,042,861	\$ 5,315,892
Cash - client escrow	137,263	124,997
Total cash and restricted cash	<u>\$ 8,180,124</u>	<u>\$ 5,440,889</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, 2020 and 2019

	2020				2019			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
<b>Salaries and Related:</b>								
Salaries - lawyers	\$ 6,513,084	\$ 151,734	\$ 16,859	\$ 6,681,677	\$ 5,933,388	\$ 149,917	\$ 16,657	\$ 6,099,962
Payroll taxes and fringe benefits	3,466,248	317,351	171,778	3,955,377	3,236,867	301,652	144,991	3,683,510
Salaries - other	2,529,254	703,660	446,154	3,679,068	2,390,335	663,162	374,948	3,428,445
Total salaries and related	<u>12,508,586</u>	<u>1,172,745</u>	<u>634,791</u>	<u>14,316,122</u>	<u>11,560,590</u>	<u>1,114,731</u>	<u>536,596</u>	<u>13,211,917</u>
<b>Other:</b>								
Office and related expenses	459,409	38,337	43,939	541,685	480,893	33,109	40,193	554,195
Occupancy	385,098	31,038	18,772	434,908	412,111	33,855	20,475	466,441
Grants awarded	390,791	-	-	390,791	394,133	-	-	394,133
Contract services	189,687	103,329	4,566	297,582	303,530	49,815	7,191	360,536
Other direct expenses	169,536	12,277	34,414	216,227	303,585	15,641	10,266	329,492
Depreciation	178,243	14,366	8,688	201,297	189,723	15,592	9,430	214,745
Library maintenance	183,648	-	110	183,758	119,456	-	194	119,650
Client litigation expenses	100,244	-	-	100,244	112,708	-	-	112,708
Travel and training	22,258	9,788	2,129	34,175	56,420	18,251	4,977	79,648
Total other	<u>2,078,914</u>	<u>209,135</u>	<u>112,618</u>	<u>2,400,667</u>	<u>2,372,559</u>	<u>166,263</u>	<u>92,726</u>	<u>2,631,548</u>
Total operating expenses before donated services	14,587,500	1,381,880	747,409	16,716,789	13,933,149	1,280,994	629,322	15,843,465
<b>Donated Services</b>	<u>3,030,404</u>	<u>-</u>	<u>-</u>	<u>3,030,404</u>	<u>5,202,000</u>	<u>-</u>	<u>510</u>	<u>5,202,510</u>
Total operating expenses	<u>\$ 17,617,904</u>	<u>\$ 1,381,880</u>	<u>\$ 747,409</u>	<u>\$ 19,747,193</u>	<u>\$ 19,135,149</u>	<u>\$ 1,280,994</u>	<u>\$ 629,832</u>	<u>\$ 21,045,975</u>

The accompanying notes are an integral part of these statements.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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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).

#### 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.

#### 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 2020 and 2019, the Board voted to transfer \$3,518,000 and \$4,000,000, respectively, to the Board designated endowment.
- **Board Designated - Property and Equipment** represents amounts designated by the Board of Directors for future capital expenditures (see Note 10). 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 GBLS'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 GBLS's spending policy (see investment return allocations and spending policy section of Note 2).

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

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

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.

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

	<u>2020</u>	<u>2019</u>
Donor Restricted Endowments Held in Perpetuity:		
Access to Justice Fund	\$ 2,900,296	\$ 2,900,296
Harmonix Stockholder's Endowment	2,407,631	2,397,631
Hennessey Fund	318,579	318,579
General Endowment	115,275	115,275
Marks Fund	82,594	82,594
Program restricted - operations	1,295,899	884,435
Appreciation on donor restricted endowments held in perpetuity	2,757,375	1,999,773
Time restricted	<u>402,024</u>	<u>560,000</u>
	<u>\$ 10,279,673</u>	<u>\$ 9,258,583</u>

The Access to Justice Fund was established in 2001 to raise funds to support staff attorneys. Donors contributed \$175,857 of contributions to this endowment during 2019. No additional contributions were made to the fund during 2020.

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 2020 and 2019.

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 Subtopic 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, 2020 and 2019 (see Note 14). 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, 2020 and 2019

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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 \$3,010,000 and \$3,121,000 in 2020 and 2019, respectively), other organizations and individuals. These contributions and promises are recognized as support when received or unconditionally pledged.

#### 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 2020 and 2019, GBLS was awarded \$7,933,851 and \$8,062,626, respectively, from MLAC. GBLS recognizes MLAC grant revenue as granted each quarter. There were no restricted MLAC funds at December 31, 2020 and 2019. 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.

During 2020, GBLS received \$150,000 of MLAC funding for use in repayment of employee student loans. The unused amount totaling \$124,074 is accounted for under ASC Topic 958 and is reflected as refundable advance in the accompanying 2020 statement of financial position, as the conditions had not been satisfied as of December 31, 2020.

#### 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, 2020 and 2019, 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, 2020 and 2019

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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 are recognized under ASC 606, *Revenue from Contracts with Customers*, and generally consist of a single performance obligation to provide services. 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 awarded, 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. Property and equipment are recorded at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense, whereas betterments are capitalized as additions to property and equipment. Property and equipment are recorded at fair value when donated. 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.

GBLS accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in 2020 or 2019.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment and Depreciation (Continued)

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

	<u>2020</u>	<u>2019</u>
Land	\$ 418,000	\$ 418,000
Building and improvements	5,846,480	5,846,480
Computers and office equipment	1,890,897	1,890,897
Law library	<u>145,507</u>	<u>145,507</u>
	8,300,884	8,300,884
Less - accumulated depreciation	<u>5,474,572</u>	<u>5,273,275</u>
Net property and equipment	<u>\$ 2,826,312</u>	<u>\$ 3,027,609</u>

#### 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.

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.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment Return Allocations and Spending Policy (Continued)

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, 2020 and 2019.

#### 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.

#### 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 \$2,443,807 and \$2,107,185 at December 31, 2020 and 2019, respectively.

#### Subsequent Events

Subsequent events have been evaluated through May 12, 2021, 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.

#### Grants Awarded

Grants awarded are recorded at the time awarded by GBLS.

#### 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, 2020 or 2019.

#### 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.



## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

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.

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, 2020 and 2019, 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, 2020 and 2019. 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.

**GREATER BOSTON LEGAL SERVICES, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

**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 with 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>2020</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,321,819	\$ -	\$ -	\$ 2,321,819
Fixed income:				
U.S. Government bonds	-	279,081	-	279,081
Corporate bonds	-	4,494,802	-	4,494,802
Government agency bonds	-	102,814	-	102,814
Municipal bonds	-	105,500	-	105,500
Equities:				
U.S. large cap	12,894,700	-	-	12,894,700
U.S. mid cap	1,145,901	-	-	1,145,901
U.S. small cap	<u>633,921</u>	<u>-</u>	<u>-</u>	<u>633,921</u>
Total	<u>\$ 16,996,341</u>	<u>\$ 4,982,197</u>	<u>\$ -</u>	<u>\$ 21,978,538</u>
	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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 bonds	-	101,868	-	101,868
Municipal bonds	-	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	<u>471,046</u>	<u>-</u>	<u>-</u>	<u>471,046</u>
Total	<u>\$ 13,100,521</u>	<u>\$ 3,538,013</u>	<u>\$ -</u>	<u>\$ 16,638,534</u>

Money market 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, 2020 and 2019

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**3. INVESTMENTS (Continued)**

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

	<u>2020</u>	<u>2019</u>
Net unrealized gain (loss) on investments	\$ 2,189,793	\$ (50,538)
Net realized gain (loss) on the sale of investments	<u>(195,370)</u>	<u>1,757,249</u>
	<u>\$ 1,994,423</u>	<u>\$ 1,706,711</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 \$137,263 and \$124,997 at December 31, 2020 and 2019, 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, 2020 and 2019**6. ENDOWMENTS**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total With Donor Restrictions</u>	<u>Total</u>
		<u>Appreciation on Donor Restricted Endowments Held in Perpetuity</u>	<u>Donor Restricted Endowments Held in Perpetuity</u>		
Endowment net assets, December 31, 2018	\$ 2,061,261	\$ 720,216	\$ 5,628,518	\$ 6,348,734	\$ 8,409,995
Investment return:					
Investment income, net	41,543	107,591	-	107,591	149,134
Net gain on investments	<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 for endowment	<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>
Investment return:					
Investment income, net	106,238	106,965	-	106,965	213,203
Net gain on investments	<u>881,067</u>	<u>800,637</u>	<u>-</u>	<u>800,637</u>	<u>1,681,704</u>
Total investment return	<u>987,305</u>	<u>907,602</u>	<u>-</u>	<u>907,602</u>	<u>1,894,907</u>
Subtotal	7,471,379	2,907,375	5,814,375	8,721,750	16,193,129
Transfer to Board designated endowment	3,518,000	-	-	-	3,518,000
Appropriation of endowment assets for expenditure	(275,000)	(150,000)	-	(150,000)	(425,000)
Grants for endowment	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	<u>\$ 10,714,379</u>	<u>\$ 2,757,375</u>	<u>\$ 5,824,375</u>	<u>\$ 8,581,750</u>	<u>\$ 19,296,129</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, 2020 and 2019. Borrowings are payable on demand, bear interest at the bank's base lending rate (3.25% and 4.75% at December 31, 2020 and 2019, 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, 2020 and 2019. This line of credit is renewable annually in June.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 8. PAYCHECK PROTECTION PROGRAM LOAN

GBLS applied for and was awarded a forgivable loan of \$2,445,000 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds will be used to pay certain payroll costs, including benefits during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that will be forgiven, provided that GBLS submits the application for forgiveness within ten months after the completion of the covered period. The balance of the note which is not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral. There was no accrued interest on the note payable as of December 31, 2020, as it would be immaterial to the overall financial statements.

As of May 12, 2021, GBLS has not submitted the application for forgiveness; however, GBLS anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term debt in the accompanying statement of financial position as of December 31, 2020.

### 9. LEASES

GBLS leases space for a community branch of its program under an annual lease, with monthly rental payments of \$5,949 and \$5,841 for the years ended December 31, 2020 and 2019, respectively. GBLS is also responsible for certain operating costs. GBLS's facility lease ended in 2020 and GBLS will continue to use the space on a month-to-month basis.

GBLS also rents various space for programs and storage on a month-to-month basis, with monthly rental payments totaling \$1,337. The cost of the rental space for the years ended December 31, 2020 and 2019, was \$82,227 and \$80,824, 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 \$2,253. These leases expire at various dates through June 2024.

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

	<u>Equipment</u>
2021	\$ 3,811
2022	3,811
2023	811
2024	<u>811</u>
Total	<u>\$ 9,244</u>

### 10. CAPITAL RESERVE TRANSFERS

GBLS's Board of Directors voted to transfer \$80,000 and \$330,000 for 2020 and 2019, respectively, to the property and equipment net assets fund for the future year's equipment purchases and the building capital reserve. These funds are transferred and spent based on a capital budget.

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 11. 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, 2020 and 2019, the Board of Directors approved contributions of \$345,444 and \$333,849, respectively, to the plan. These contributions are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

### 12. COLLECTIVE BARGAINING AGREEMENTS

GBLS had two collective bargaining agreements which expire on December 31, 2021. Approximately 75% of GBLS's employees are covered under these agreements.

### 13. CONCENTRATIONS

GBLS received approximately 44% and 46% of its total operating revenue and support before donated services from MLAC (see Note 2) for the years ended December 31, 2020 and 2019, respectively.

GBLS maintains its cash balances in banks located in Massachusetts. 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.

### 14. CONDITIONAL GRANTS

GBLS has been awarded conditional commitments from various Federal and state agencies as well as private donors, which contain funder-imposed conditions that represent a barrier that must be overcome as well as a release from obligations. GBLS recognizes related revenue from these government grants when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for these revenues include the requirement for GBLS to incur qualifying expenses. These commitments are not included in the accompanying financial statements.

Total amounts committed, but not recognized as of December 31, 2020 and 2019, summarized by type of funder, are as follows:

	<u>2020</u>	<u>2019</u>
Federal and state agencies	\$ 7,740,040	\$ 4,980,967
Private donors	<u>225,000</u>	<u>717,500</u>
Total	<u>\$ 7,965,040</u>	<u>\$ 5,698,467</u>

## GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

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### 15. 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,469,938	\$ 4,116,457
Grants and contracts receivable	1,133,862	2,560,014
Pledges receivable	<u>572,846</u>	<u>509,485</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,176,646</u>	<u>\$ 7,185,956</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.

In addition to financial assets available to meet general expenditures over the next twelve months, GBLS operates anticipating collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. For 2020 and 2019, the number of months of available financial assets is equal to approximately six months of operating expenses.

### 16. CONTINGENCY

During 2020, COVID-19 was recognized as a global pandemic. The impact of COVID-19 on GBLS's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic, related government responses such as required physical distancing, restrictions on business operations and travel, the pace of recovery of economic activity, and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to GBLS, if any, cannot be reasonably estimated at this time.

### 17. RECLASSIFICATIONS

Certain amounts in the December 31, 2019 financial statements have been reclassified to conform with the December 31, 2020 presentation.