



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
DECEMBER 31, 2021 AND 2020**

GREATER BOSTON LEGAL SERVICES, INC.

Contents
December 31, 2021 and 2020

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**Unmodified Opinion on Financial Statements Accompanied by
Supplementary Information – Not-For-Profit Entity**

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Greater Boston Legal Services, Inc. (a Massachusetts corporation, not for profit) (GBLS), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GBLS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GBLS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GBLS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of MLAC Contracts shown on page 22 and Schedule of Expenditures of Federal Awards for the year ended December 31, 2021, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Schedule of MLAC Contracts shown on page 22 and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, on our consideration of GBLS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GBLS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GBLS' internal control over financial reporting and compliance.

AAFCPAs, Inc.

Westborough, Massachusetts
May 12, 2022

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Financial Position
December 31, 2021

Assets	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions		
Current Assets:						
Cash and cash equivalents	\$ 6,655,589	\$ -	\$ -	\$ 6,655,589	\$ 1,684,685	\$ 8,340,274
Cash - client escrow	193,187	-	-	193,187	-	193,187
Cash - funds held for others	358,000	-	-	358,000	-	358,000
Grants and contracts receivable	1,388,450	-	-	1,388,450	-	1,388,450
Pledges receivable	461,649	-	-	461,649	-	461,649
Prepaid expenses, deposits and other	143,701	34,138	-	177,839	-	177,839
Total current assets	9,200,576	34,138	-	9,234,714	1,684,685	10,919,399
Investments	-	15,592,480	2,934,041	18,526,521	10,251,230	28,777,751
Property and Equipment, net	-	-	2,638,923	2,638,923	-	2,638,923
Due (To) From	(371,488)	-	371,488	-	-	-
Total assets	<u>\$ 8,829,088</u>	<u>\$ 15,626,618</u>	<u>\$ 5,944,452</u>	<u>\$ 30,400,158</u>	<u>\$ 11,935,915</u>	<u>\$ 42,336,073</u>
Liabilities and Net Assets						
Current Liabilities:						
Client escrow payable	\$ 193,187	\$ -	\$ -	\$ 193,187	\$ -	\$ 193,187
Funds held for others	358,000	-	-	358,000	-	358,000
Accrued compensation	2,321,560	-	-	2,321,560	-	2,321,560
Accounts payable and other accrued expenses	444,155	-	-	444,155	-	444,155
Refundable advance	232,739	-	-	232,739	-	232,739
Total current liabilities	3,549,641	-	-	3,549,641	-	3,549,641
Net Assets:						
Without donor restrictions:						
Operating	5,279,447	-	-	5,279,447	-	5,279,447
Board Designated - functioning as endowment	-	15,626,618	-	15,626,618	-	15,626,618
Board Designated - property and equipment	-	-	3,305,529	3,305,529	-	3,305,529
Property and equipment	-	-	2,638,923	2,638,923	-	2,638,923
Total without donor restrictions	5,279,447	15,626,618	5,944,452	26,850,517	-	26,850,517
With donor restrictions	-	-	-	-	11,935,915	11,935,915
Total net assets	5,279,447	15,626,618	5,944,452	26,850,517	11,935,915	38,786,432
Total liabilities and net assets	<u>\$ 8,829,088</u>	<u>\$ 15,626,618</u>	<u>\$ 5,944,452</u>	<u>\$ 30,400,158</u>	<u>\$ 11,935,915</u>	<u>\$ 42,336,073</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Financial Position
December 31, 2020

Assets	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions		
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>
Liabilities and Net Assets						
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	3,327,256	10,714,379	5,630,116	19,671,751	10,279,673	29,951,424
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 Activities
For the Year Ended December 31, 2021

	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
Operating Revenue and Support:									
Grants and contracts	\$ 15,187,424	\$ -	\$ -	\$ 15,187,424	\$ 29,582	\$ -	\$ -	\$ 29,582	\$ 15,217,006
Contributions and promises	6,364,324	-	-	6,364,324	781,631	-	-	781,631	7,145,955
Attorney fees	201,028	-	-	201,028	-	-	-	-	201,028
Interest and other income	94,595	-	-	94,595	-	-	-	-	94,595
Net assets released from donor restrictions:									
Satisfaction of time restriction	402,024	-	-	402,024	(402,024)	-	-	(402,024)	-
Satisfaction of program restriction	432,427	-	-	432,427	(432,427)	-	-	(432,427)	-
Total operating revenue and support before donated services	22,681,822	-	-	22,681,822	(23,238)	-	-	(23,238)	22,658,584
Donated services	2,675,108	-	-	2,675,108	-	-	-	-	2,675,108
Total operating revenue and support	25,356,930	-	-	25,356,930	(23,238)	-	-	(23,238)	25,333,692
Operating Expenses:									
Program	20,418,371	-	182,582	20,600,953	-	-	-	-	20,600,953
General and administrative	1,762,139	-	9,079	1,771,218	-	-	-	-	1,771,218
Fundraising	764,229	-	6,493	770,722	-	-	-	-	770,722
Total operating expenses	22,944,739	-	198,154	23,142,893	-	-	-	-	23,142,893
Changes in net assets from operations	2,412,191	-	(198,154)	2,214,037	(23,238)	-	-	(23,238)	2,190,799
Non-Operating Revenue:									
Net gain on investments	-	1,980,791	414,520	2,395,311	-	1,591,867	-	1,591,867	3,987,178
Forgiveness of debt	2,445,000	-	-	2,445,000	-	-	-	-	2,445,000
Investment income, net of expenses of \$168,311	-	106,448	17,970	124,418	-	77,613	-	77,613	202,031
Grants for endowment	-	-	-	-	-	-	10,000	10,000	10,000
Total non-operating revenue	2,445,000	2,087,239	432,490	4,964,729	-	1,669,480	10,000	1,679,480	6,644,209
Changes in net assets	\$ 4,857,191	\$ 2,087,239	\$ 234,336	\$ 7,178,766	\$ (23,238)	\$ 1,669,480	\$ 10,000	\$ 1,656,242	\$ 8,835,008

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				
						Appreciation on Donor Restricted Endowments Held in Perpetuity	Donor Restricted Endowments Held in Perpetuity	Total With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions	Program and Time Restricted				
Operating Revenue and Support:									
Grants and contracts	\$ 10,239,599	\$ -	\$ -	\$ 10,239,599	\$ 32,917	\$ -	\$ -	\$ 32,917	\$ 10,272,516
Contributions and promises	5,926,875	-	-	5,926,875	1,334,583	-	-	1,334,583	7,261,458
Attorney fees	194,224	-	-	194,224	-	-	-	-	194,224
Interest and other income	155,374	-	-	155,374	-	-	-	-	155,374
Investment return designated for current operations	425,000	-	-	425,000	-	-	-	-	425,000
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
Operating Expenses:									
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
Non-Operating Revenue (Expense):									
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

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, 2021 and 2020

	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	
Net Assets, December 31, 2019	<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>
Changes in net assets	<u>1,539,592</u>	<u>712,305</u>	<u>137,471</u>	<u>2,389,368</u>	<u>253,488</u>	<u>757,602</u>	<u>10,000</u>	<u>1,021,090</u>	<u>3,410,458</u>
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	<u>(3,518,000)</u>	<u>3,518,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>(3,598,000)</u>	<u>3,518,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, December 31, 2020	<u>3,327,256</u>	<u>10,714,379</u>	<u>5,630,116</u>	<u>19,671,751</u>	<u>1,697,923</u>	<u>2,757,375</u>	<u>5,824,375</u>	<u>10,279,673</u>	<u>29,951,424</u>
Changes in net assets	<u>4,857,191</u>	<u>2,087,239</u>	<u>234,336</u>	<u>7,178,766</u>	<u>(23,238)</u>	<u>1,669,480</u>	<u>10,000</u>	<u>1,656,242</u>	<u>8,835,008</u>
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	<u>(2,825,000)</u>	<u>2,825,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfer	<u>(2,905,000)</u>	<u>2,825,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, December 31, 2021	<u>\$ 5,279,447</u>	<u>\$ 15,626,618</u>	<u>\$ 5,944,452</u>	<u>\$ 26,850,517</u>	<u>\$ 1,674,685</u>	<u>\$ 4,426,855</u>	<u>\$ 5,834,375</u>	<u>\$ 11,935,915</u>	<u>\$ 38,786,432</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	\$ 8,835,008	\$ 3,410,458
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	198,154	201,297
Grants for endowment	(10,000)	(10,000)
Net gain on investments	(3,987,178)	(1,994,423)
Forgiveness of debt	(2,445,000)	-
Investment income, net of expenses	(202,031)	(239,252)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(254,588)	1,426,152
Pledges receivable	111,197	(63,361)
Prepaid expenses, deposits and other	(24,545)	183,193
Client escrow payable	55,924	12,266
Funds held for others	358,000	-
Accrued compensation	303,585	359,421
Accounts payable and other accrued expenses	274,914	(19,260)
Refundable advance	108,666	124,073
Net cash provided by operating activities	<u>3,322,106</u>	<u>3,390,564</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(10,765)	-
Purchase of investments	(7,427,437)	(9,407,603)
Proceeds from sale of investments	4,615,402	6,062,022
Investment income, net of expenses	202,031	239,252
Net cash used in investing activities	<u>(2,620,769)</u>	<u>(3,106,329)</u>
Cash Flows from Financing Activities:		
Grants for endowment	10,000	10,000
Proceeds from Paycheck Protection Program loan	-	2,445,000
Net cash provided by financing activities	<u>10,000</u>	<u>2,455,000</u>
Net Change in Cash and Restricted Cash	711,337	2,739,235
Cash and Restricted Cash:		
Beginning of year	<u>8,180,124</u>	<u>5,440,889</u>
End of year	<u><u>\$ 8,891,461</u></u>	<u><u>\$ 8,180,124</u></u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 8,340,274	\$ 8,042,861
Cash - client escrow	193,187	137,263
Cash - funds held for others	<u>358,000</u>	<u>-</u>
Total cash and restricted cash	<u><u>\$ 8,891,461</u></u>	<u><u>\$ 8,180,124</u></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, 2021 and 2020

	2021				2020			
	Program Services	General and Adminis- trative	Fundraising	Total	Program Services	General and Adminis- trative	Fundraising	Total
Salaries and Related:								
Salaries - lawyers	\$ 7,486,977	\$ 239,805	\$ 20,670	\$ 7,747,452	\$ 6,513,084	\$ 151,734	\$ 16,859	\$ 6,681,677
Payroll taxes and fringe benefits	4,650,480	301,903	174,008	5,126,391	3,466,248	317,351	171,778	3,955,377
Salaries - other	3,162,820	573,949	448,354	4,185,123	2,529,254	703,660	446,154	3,679,068
Total salaries and related	15,300,277	1,115,657	643,032	17,058,966	12,508,586	1,172,745	634,791	14,316,122
Other:								
Contract services	600,811	576,907	27,129	1,204,847	189,687	103,329	4,566	297,582
Office and related expenses	634,983	33,086	54,048	722,117	459,409	38,337	43,939	541,685
Occupancy	400,983	19,939	14,261	435,183	385,098	31,038	18,772	434,908
Grants awarded	335,155	-	-	335,155	390,791	-	-	390,791
Library maintenance	210,405	-	109	210,514	183,648	-	110	183,758
Depreciation	182,582	9,079	6,493	198,154	178,243	14,366	8,688	201,297
Other direct expenses	160,423	6,550	25,126	192,099	169,536	12,277	34,414	216,227
Client litigation expenses	65,908	-	-	65,908	100,244	-	-	100,244
Travel and training	34,318	10,000	524	44,842	22,258	9,788	2,129	34,175
Total other	2,625,568	655,561	127,690	3,408,819	2,078,914	209,135	112,618	2,400,667
Total operating expenses before donated services	17,925,845	1,771,218	770,722	20,467,785	14,587,500	1,381,880	747,409	16,716,789
Donated Services	2,675,108	-	-	2,675,108	3,030,404	-	-	3,030,404
Total operating expenses	<u>\$ 20,600,953</u>	<u>\$ 1,771,218</u>	<u>\$ 770,722</u>	<u>\$ 23,142,893</u>	<u>\$ 17,617,904</u>	<u>\$ 1,381,880</u>	<u>\$ 747,409</u>	<u>\$ 19,747,193</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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

Basis of Presentation

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).

Allowance for Uncollectible Receivables

An allowance for potentially uncollectible grants and contracts as well as pledges receivable is provided based upon management's judgment of expected defaults. The determination includes factors such as prior collection history, type of contribution and nature of fundraising activity. 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 deemed necessary as of December 31, 2021 or 2020.

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 \$2,934,041 and \$2,443,807 at December 31, 2021 and 2020, respectively.

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.

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' investments as of December 31, 2021 and 2020, 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.

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 2020 statement of activities. There were no transfers deemed necessary for calendar year 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy (Continued)

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, 2021 and 2020.

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, and reflected as library maintenance in the accompanying statements of functional expenses.

Land is not depreciated.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

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 2021 or 2020.

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

	<u>2021</u>	<u>2020</u>
Land	\$ 418,000	\$ 418,000
Building and improvements	5,857,245	5,846,480
Computers and office equipment	1,890,897	1,890,897
Law library	<u>145,507</u>	<u>145,507</u>
	8,311,649	8,300,884
Less - accumulated depreciation	<u>5,672,726</u>	<u>5,474,572</u>
Net property and equipment	<u>\$ 2,638,923</u>	<u>\$ 2,826,312</u>

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 2021 and 2020, the Board voted to transfer \$2,825,000 and \$3,518,000, 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' 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, 2021 and 2020

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>2021</u>	<u>2020</u>
Donor Restricted Endowments Held in Perpetuity:		
Access to Justice Fund	\$ 2,900,296	\$ 2,900,296
Harmonix Stockholder's Endowment	2,417,631	2,407,631
Hennessey Fund	318,579	318,579
General Endowment	115,275	115,275
Marks Fund	82,594	82,594
Program restricted - operations	1,274,770	1,295,899
Appreciation on donor restricted endowments held in perpetuity	4,426,855	2,757,375
Time restricted	<u>399,915</u>	<u>402,024</u>
	<u>\$ 11,935,915</u>	<u>\$ 10,279,673</u>

The Access to Justice Fund was established in 2001 to raise funds to support staff attorneys. No additional contributions were made to the fund during 2021 and 2020.

The Harmonix Stockholder's Endowment (Harmonix) was established in 2013 to support a community fellowship program. During 2021 and 2020, a donor contributed \$10,000 of new contributions to this endowment.

The Hennessey Fund was established in 1990 to raise funds to endow an attorney position. No additional contributions were made to the fund during 2021 and 2020.

The Marks Fund was established in 2006 as a separately named fund, with the same purpose as the Access to Justice Fund. No additional contributions were made to the fund during 2021 and 2020.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), 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, 2021 and 2020 (see Note 14). Contributions and grants without donor restrictions are recognized as revenue when received or unconditionally pledged.

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 \$3,275,000 and \$3,010,000 in 2021 and 2020, 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 2021 and 2020, GBLS was awarded \$12,540,761 and \$7,933,851, respectively, from MLAC. GBLS recognizes MLAC grant revenue as granted each quarter. There were no restricted MLAC funds at December 31, 2021 and 2020. 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 2021 and 2020, GBLS received \$150,000 of MLAC funding for use in repayment of employee student loans. The unused amount totaled \$232,739 and \$124,073 which are accounted for under ASC Topic 958 and are reflected as refundable advances in the accompanying statements of financial position, as the conditions had not been satisfied as of December 31, 2021 and 2020, respectively.

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, 2021 and 2020, or on the results of its operations for the years then ended.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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.

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.

Grants Awarded

Grants awarded are recorded at the time awarded by GBLS.

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, 2021 and 2020. GBLS's information returns are subject to examination by the Federal and state jurisdictions.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, investment activity and forgiveness of debt.

Subsequent Events

Subsequent events have been evaluated through May 12, 2022, 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.

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:

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,995,849	\$ -	\$ -	\$ 2,995,849
Fixed income:				
U.S. Government bonds	-	80,360	-	80,360
Corporate bonds	-	5,397,906	-	5,397,906
Government agency bonds	-	102,722	-	102,722
Equities:				
U.S. large cap	17,561,796	-	-	17,561,796
Exchange-traded funds:				
U.S. mid cap	1,645,095	-	-	1,645,095
U.S. small cap	994,023	-	-	994,023
Total	\$ 23,196,763	\$ 5,580,988	\$ -	\$ 28,777,751
	2020			
	Level 1	Level 2	Level 3	Total
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
Exchange-traded funds:				
U.S. mid cap	1,145,901	-	-	1,145,901
U.S. small cap	633,921	-	-	633,921
Total	\$ 16,996,341	\$ 4,982,197	\$ -	\$ 21,978,538

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

3. INVESTMENTS (Continued)

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.

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

	<u>2021</u>	<u>2020</u>
Net unrealized gain on investments	\$ 3,524,482	\$ 2,189,793
Net realized gain (loss) on the sale of investments	<u>462,696</u>	<u>(195,370)</u>
	<u>\$ 3,987,178</u>	<u>\$ 1,994,423</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 \$193,187 and \$137,263 at December 31, 2021 and 2020, 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 in the accompanying statement of activities, and, as a result, do not affect net assets.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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>Appreciation</u> <u>on Donor</u> <u>Restricted</u> <u>Endowments</u> <u>Held in</u> <u>Perpetuity</u>	<u>Donor</u> <u>Restricted</u> <u>Endowments</u> <u>Held in</u> <u>Perpetuity</u>	<u>Total</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ 6,484,074	\$ 1,999,773	\$ 5,814,375	\$ 7,814,148	\$ 14,298,222
Investment return:					
Investment income, net	106,238	106,965	-	106,965	213,203
Net gain on investments	881,067	800,637	-	800,637	1,681,704
Total investment return	987,305	907,602	-	907,602	1,894,907
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	-	-	10,000	10,000	10,000
Endowment net assets, December 31, 2020	10,714,379	2,757,375	5,824,375	8,581,750	19,296,129
Investment return:					
Investment income, net	106,448	77,613	-	77,613	184,061
Net gain on investments	1,980,791	1,591,867	-	1,591,867	3,572,658
Total investment return	2,087,239	1,669,480	-	1,669,480	3,756,719
Subtotal	12,801,618	4,426,855	5,824,375	10,251,230	23,052,848
Transfer to Board designated endowment	2,825,000	-	-	-	2,825,000
Grants for endowment	-	-	10,000	10,000	10,000
Endowment net assets, December 31, 2021	\$ 15,626,618	\$ 4,426,855	\$ 5,834,375	\$ 10,261,230	\$ 25,887,848

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, 2021 and 2020. Borrowings are payable on demand, bear interest at the bank's base lending rate (3.25% at December 31, 2021 and 2020), and are secured by a first mortgage on GBLS's building. There was no outstanding balance under this line of credit at December 31, 2021 and 2020. This line of credit is renewable annually in June.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

8. PAYCHECK PROTECTION PROGRAM LOAN

During 2020, 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 were used to pay certain payroll costs, including benefits, during the covered period as defined in the CARES Act. GBLS received full forgiveness on the PPP loan and was released from all obligations during August 2021, therefore, the balance was recognized as forgiveness of debt in the accompanying statement of activities and changes in net assets for the year ended December 31, 2021. As of December 31, 2020, the loan balance was classified as long-term debt in the accompanying 2020 statement of financial position.

9. LEASES

GBLS leases space for a community branch of its program under an annual lease, with monthly rental payments of \$6,057 and \$5,949 for the years ended December 31, 2021 and 2020, respectively. GBLS is also responsible for certain operating costs. Total payments under the annual commitment for fiscal year 2022 is \$72,687. GBLS also rents various space for programs and storage on a month-to-month basis, with monthly rental payments totaling \$476 and \$1,337.

The cost of the rental space and storage for the years ended December 31, 2021 and 2020, was \$78,642 and \$82,227, 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>Amount</u>
2022	\$ 3,811
2023	811
2024	<u>579</u>
Total	<u>\$ 5,201</u>

10. CAPITAL RESERVE TRANSFERS

GBLS's Board of Directors voted to transfer \$80,000 in both 2021 and 2020, 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.

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, 2021 and 2020, the Board of Directors approved contributions of \$350,720 and \$345,444, respectively, to the plan. These contributions are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

12. COLLECTIVE BARGAINING AGREEMENTS

GBLS have two collective bargaining agreements which expire on December 31, 2022. Approximately 75% of GBLS's employees are covered under these agreements.

13. CONCENTRATIONS

GBLS received approximately 55% and 44% of its total operating revenue and support before donated services from MLAC (see Note 2) for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, summarized by type of funder, are as follows:

	<u>2021</u>	<u>2020</u>
Federal and state agencies	\$ 7,552,354	\$ 7,740,040
Private donors	<u>-</u>	<u>225,000</u>
Total	<u>\$ 7,552,354</u>	<u>\$ 7,965,040</u>

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,655,589	\$ 6,469,938
Grants and contracts receivable	1,388,450	1,133,862
Pledges receivable	<u>461,649</u>	<u>572,846</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,505,688</u>	<u>\$ 8,176,646</u>

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
December 31, 2021 and 2020

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 2021 and 2020, the number of months of available financial assets is equal to approximately five and six months of operating expenses, respectively.

16. FUNDS HELD FOR OTHERS

During 2021, GBLS received \$600,000 of housing assistance funding from two organizations to be used to pay stipends to residents in the East Boston area who meet certain eligibility criteria. During fiscal year 2021, GBLS awarded \$242,000 of stipends were issued during 2021. The remaining balance of \$358,000 is shown as cash - funds held for others in the accompanying 2021 statement of financial position.

GREATER BOSTON LEGAL SERVICES, INC.

Supplementary Schedule of MLAC Contracts
For the Year Ended December 31, 2021

	General Support	Medicare Advocacy Project	Disabilities Benefits Project	Domestic Violence Legal Assistance Project	New Lease	Technology	CELHP	MLAC/ CLAVC	Total
Operating Revenue and Support:									
Grants and contracts	\$ 7,643,601	\$ 267,210	\$ 354,970	\$ 838,558	\$ 130,000	\$ 217,053	\$ 2,329,395	\$ 762,127	\$ 12,542,914
Donated services	2,393,308	72,192	72,192	30,600	-	-	-	-	2,568,292
Total operating revenue and support	10,036,909	339,402	427,162	869,158	130,000	217,053	2,329,395	762,127	15,111,206
Operating Expenses:									
Salaries and related:									
Salaries - lawyers	2,835,765	141,789	109,266	462,685	67,907	-	778,288	366,187	4,761,887
Salaries - other	1,933,660	12,793	86,140	12,046	1,478	113,997	567,522	88,100	2,815,736
Payroll taxes and fringe benefits	1,773,167	57,350	72,496	176,126	25,742	42,293	486,282	169,301	2,802,757
Total salaries and related	6,542,592	211,932	267,902	650,857	95,127	156,290	1,832,092	623,588	10,380,380
Other:									
Contract services	367,282	3,000	6,547	8,450	625	37,305	214,272	16,174	653,655
Indirect cost allocation	-	27,683	43,319	102,335	15,864	-	283,031	93,008	565,240
Office and related expenses	237,290	8,619	15,922	27,055	1,458	23,458	-	13,136	326,938
Occupancy	237,196	12,981	14,716	39,530	11,669	-	-	10,102	326,194
Library maintenance	86,672	2,495	1,048	4,831	5,007	-	-	2,084	102,137
Grants awarded	79,970	-	-	-	-	-	-	-	79,970
Other direct expenses	66,069	500	3,500	3,000	250	-	-	2,135	75,454
Client litigation expenses	16,538	-	1,976	2,500	-	-	-	1,511	22,525
Travel and training	9,992	-	40	-	-	-	-	389	10,421
Total other	1,101,009	55,278	87,068	187,701	34,873	60,763	497,303	138,539	2,162,534
Total operating expenses before donated services	7,643,601	267,210	354,970	838,558	130,000	217,053	2,329,395	762,127	12,542,914
Donated services	2,393,308	72,192	72,192	30,600	-	-	-	-	2,568,292
Total operating expenses	10,036,909	339,402	427,162	869,158	130,000	217,053	2,329,395	762,127	15,111,206
Changes in operating MLAC net assets without donor restrictions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREATER BOSTON LEGAL SERVICES, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through the City of Boston:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster)	93.044	1-046002284-E2	\$ 259,575
Pass-through Mystic Valley Elder Services:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster)	93.044	CT ELD TITLE3FEDYR21MYSTICV	83,318
Pass-through South Shore Elder Services:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster)	93.044	CT ELD TITLE3FEDYR21SOSHORE	75,555
Pass-through Minuteman Senior Services:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster)	93.044	CT ELD TITLE3FEDYR21MINUTEM	43,228
Pass-through Somerville-Cambridge Elder Services:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster)	93.044	10/1/2020 - 9/30/2021 10/1/21 - 9/30/2022	41,250
Total AL 93.044 and Aging Cluster			502,926
U.S. Department of Housing and Urban Development:			
Pass-through the City of Boston:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	DNDC19001 DNDC20001	35,023
Pass-through the City of Cambridge:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	CDBG-2021-11 CDBG-2022-11	18,626
Pass-through the City of Malden:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	CDBG-2021	15,000
Total AL 14.218 and CDBG - Entitlement Grants Cluster			68,649
Pass-through the City of Cambridge:			
Emergency Solutions Grant Program	14.231	ESG 2020-2021 ESG 2021-2022	10,240
U.S. Department of the Treasury:			
Pass-through Massachusetts Legal Assistance Corporation:			
COVID-19 - Emergency Rental Assistance Program	21.023	6/30/2021 - 12/31/2021	1,050,525
Direct Program:			
Low Income Taxpayer Clinics	21.008	N/A	100,000
			1,150,525

GREATER BOSTON LEGAL SERVICES, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Pass-through Commonwealth of Massachusetts, Massachusetts Office for Victim Assistance (MOVA):			
Crime Victim Assistance	16.575	VOCA2020GBLS VOCA2021GBLS SAFEPLAN2020GBLS SAFEPLAN2021GBLS	201,448
Pass-through Massachusetts Legal Assistance Corporation:			
Crime Victim Assistance	16.575	GBLS-MLAC 7/1/2020 - 6/30/2022	761,364
Total AL 16.575			962,812
Pass-through National Network to End Domestic Violence:			
OVW Technical Assistance Initiative	16.526	2007-TA-AX-K030	122,099
Pass-through Equal Justice Works:			
Legal Assistance for Victims	16.524	OVW-LAV001	138,867
Total Expenditures of Federal Awards			\$ 2,956,118

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of GBLS and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. Indirect Cost Rate

GBLS has elected not to use the 10% de minimis cost rate for its Federal programs.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Boston Legal Services, Inc. (GBLS), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GBLS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GBLS' internal control. Accordingly, we do not express an opinion on the effectiveness of GBLS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GBLS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "AAFCPA, Inc." The letters are stylized and cursive.

Westborough, Massachusetts
May 12, 2022

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Greater Boston Legal Services, Inc. (GBLS) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on GBLS' major Federal program for the year ended December 31, 2021. GBLS' major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, GBLS has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2021.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of GBLS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major Federal program. Our audit does not provide a legal determination of GBLS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to GBLS' Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on GBLS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about GBLS' compliance with the requirements of the major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding GBLS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of GBLS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of GBLS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "AAFCPA, Inc." The letters are stylized and cursive.

Westborough, Massachusetts
May 12, 2022

GREATER BOSTON LEGAL SERVICES, INC.Schedule of Findings and Questioned Costs
December 31, 2021

1. SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?

☐ Yes ☒ No

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

Internal control over major Federal program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major Federal program: Unmodified

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

☐ Yes ☒ No

Identification of major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing (AL) Number</u>
COVID-19 – Emergency Rental Assistance Program	21.023

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

GREATER BOSTON LEGAL SERVICES, INC.

Schedule of Findings and Questioned Costs
December 31, 2021

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None