



**FINANCIAL STATEMENTS
JUNE 30, 2023**

GREATER BOSTON LEGAL SERVICES, INC.

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June 30, 2023

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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 nonprofit corporation) (GBLS), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the eighteen month period ended June 30, 2023, 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 June 30, 2023, and the changes in its net assets and its cash flows for the eighteen month period ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. 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's ability to continue as a going concern within one year after the date that the financial statements are 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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's 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's 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.

AAFCPA, Inc.

Westborough, Massachusetts
November 8, 2023

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Financial Position
June 30, 2023

Assets	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Board Designated	Property and Equipment	Total Without Donor Restrictions		
Current Assets:						
Cash and cash equivalents	\$ 7,253,716	\$ -	\$ -	\$ 7,253,716	\$ 1,707,918	\$ 8,961,634
Cash - client escrow	264,393	-	-	264,393	-	264,393
Cash - funds held for others	204,000	-	-	204,000	-	204,000
Grants, pledges and contracts receivable	1,784,046	-	-	1,784,046	-	1,784,046
Prepaid expenses, deposits and other	233,075	89,831	-	322,906	-	322,906
Total current assets	9,739,230	89,831	-	9,829,061	1,707,918	11,536,979
Investments	-	16,373,891	2,705,907	19,079,798	9,300,643	28,380,441
Property and Equipment, net	-	-	3,212,743	3,212,743	-	3,212,743
Due (To) From	(360,854)	-	360,854	-	-	-
Total assets	<u>\$ 9,378,376</u>	<u>\$ 16,463,722</u>	<u>\$ 6,279,504</u>	<u>\$ 32,121,602</u>	<u>\$ 11,008,561</u>	<u>\$ 43,130,163</u>
Liabilities and Net Assets						
Current Liabilities:						
Client escrow payable	\$ 264,393	\$ -	\$ -	\$ 264,393	\$ -	\$ 264,393
Funds held for others	204,000	-	-	204,000	-	204,000
Accrued compensation	2,057,186	-	-	2,057,186	-	2,057,186
Accounts payable and other accrued expenses	428,720	-	-	428,720	-	428,720
Refundable advance	232,739	-	-	232,739	-	232,739
Total current liabilities	3,187,038	-	-	3,187,038	-	3,187,038
Net Assets:						
Without donor restrictions:						
Operating	6,191,338	-	-	6,191,338	-	6,191,338
Board Designated - functioning as endowment	-	16,463,722	-	16,463,722	-	16,463,722
Board Designated - property and equipment	-	-	3,066,761	3,066,761	-	3,066,761
Property and equipment	-	-	3,212,743	3,212,743	-	3,212,743
Total without donor restrictions	6,191,338	16,463,722	6,279,504	28,934,564	-	28,934,564
With donor restrictions	-	-	-	-	11,008,561	11,008,561
Total net assets	6,191,338	16,463,722	6,279,504	28,934,564	11,008,561	39,943,125
Total liabilities and net assets	<u>\$ 9,378,376</u>	<u>\$ 16,463,722</u>	<u>\$ 6,279,504</u>	<u>\$ 32,121,602</u>	<u>\$ 11,008,561</u>	<u>\$ 43,130,163</u>

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Activities
For the Eighteen Months Ended June 30, 2023

	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	\$ 26,352,508	\$ -	\$ -	\$ 26,352,508	\$ 28,332	\$ -	\$ -	\$ 28,332	\$ 26,380,840
Contributions and promises	8,038,790	-	-	8,038,790	1,895,926	-	-	1,895,926	9,934,716
Attorney fees	211,489	-	-	211,489	-	-	-	-	211,489
Interest and other income	45,020	-	-	45,020	-	-	-	-	45,020
Net assets released from donor restrictions:									
Satisfaction of time restriction	702,831	-	-	702,831	(702,831)	-	-	(702,831)	-
Satisfaction of program restriction	1,188,194	-	-	1,188,194	(1,188,194)	-	-	(1,188,194)	-
Total operating revenue and support before donated services	36,538,832	-	-	36,538,832	33,233	-	-	33,233	36,572,065
Donated services	2,463,609	-	-	2,463,609	-	-	-	-	2,463,609
Total operating revenue and support	39,002,441	-	-	39,002,441	33,233	-	-	33,233	39,035,674
Operating Expenses:									
Program	31,305,503	-	244,111	31,549,614	-	-	-	-	31,549,614
General and administrative	2,700,866	-	15,427	2,716,293	-	-	-	-	2,716,293
Fundraising	1,340,919	-	9,904	1,350,823	-	-	-	-	1,350,823
Total operating expenses	35,347,288	-	269,442	35,616,730	-	-	-	-	35,616,730
Changes in net assets from operations	3,655,153	-	(269,442)	3,385,711	33,233	-	-	33,233	3,418,944
Non-Operating Revenue:									
Investment income, net of expenses of \$275,499	-	227,796	25,780	253,576	-	81,402	-	81,402	334,978
Net loss on investments	-	(1,290,692)	(264,548)	(1,555,240)	-	(1,041,989)	-	(1,041,989)	(2,597,229)
Total non-operating revenue	-	(1,062,896)	(238,768)	(1,301,664)	-	(960,587)	-	(960,587)	(2,262,251)
Changes in net assets	\$ 3,655,153	\$ (1,062,896)	\$ (508,210)	\$ 2,084,047	\$ 33,233	\$ (960,587)	\$ -	\$ (927,354)	\$ 1,156,693

The accompanying notes are an integral part of these statements.

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Changes in Net Assets
For the Eighteen Months Ended June 30, 2023

	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, 2021	\$ 5,279,447	\$ 15,626,618	\$ 5,944,452	\$ 26,850,517	\$ 1,674,685	\$ 4,426,855	\$ 5,834,375	\$ 11,935,915	\$ 38,786,432
Changes in net assets	3,655,153	(1,062,896)	(508,210)	2,084,047	33,233	(960,587)	-	(927,354)	1,156,693
Transfers:									
Board transfer for property and equipment additions	(843,262)	-	843,262	-	-	-	-	-	-
Transfer to Board designated endowment	(1,900,000)	1,900,000	-	-	-	-	-	-	-
Total transfers	(2,743,262)	1,900,000	843,262	-	-	-	-	-	-
Net Assets, June 30, 2023	<u>\$ 6,191,338</u>	<u>\$ 16,463,722</u>	<u>\$ 6,279,504</u>	<u>\$ 28,934,564</u>	<u>\$ 1,707,918</u>	<u>\$ 3,466,268</u>	<u>\$ 5,834,375</u>	<u>\$ 11,008,561</u>	<u>\$ 39,943,125</u>

GREATER BOSTON LEGAL SERVICES, INC.

Statement of Cash Flow
For the Eighteen Months Ended June 30, 2023

Cash Flows from Operating Activities:

Changes in net assets	\$ 1,156,693
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	269,442
Net loss on investments	2,597,229
Investment income, net of expenses	(334,978)
Changes in operating assets and liabilities:	
Grants, pledges and contracts receivable	66,053
Prepaid expenses, deposits and other	(145,067)
Client escrow payable	71,206
Funds held for others	(154,000)
Accrued compensation	(264,374)
Accounts payable and other accrued expenses	(15,435)
	<hr/>
Net cash provided by operating activities	3,246,769

Cash Flows from Investing Activities:

Acquisition of property and equipment	(843,262)
Purchase of investments	(10,834,924)
Proceeds from sale of investments	8,635,005
Investment income, net of expenses	334,978
	<hr/>
Net cash used in investing activities	(2,708,203)

Net Change in Cash and Restricted Cash 538,566

Cash and Restricted Cash:

Beginning of period	<hr/> 8,891,461
End of period	<hr/> <hr/> \$ 9,430,027

Reconciliation of Cash and Restricted Cash Reported Within the Statement of Financial Position:

Cash and cash equivalents	\$ 8,961,634
Cash - client escrow	264,393
Cash - funds held for others	204,000
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Total cash and restricted cash	\$ 9,430,027

GREATER BOSTON LEGAL SERVICES, INC.Statement of Functional Expenses
For the Eighteen Months Ended June 30, 2023

	<u>Program Services</u>	<u>General and Admin- istrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related:				
Salaries - lawyers	\$ 11,986,301	\$ 342,150	\$ 31,639	\$ 12,360,090
Salaries - other	5,295,143	1,235,452	815,889	7,346,484
Payroll taxes and fringe benefits	6,761,670	585,290	314,433	7,661,393
Total salaries and related	<u>24,043,114</u>	<u>2,162,892</u>	<u>1,161,961</u>	<u>27,367,967</u>
Other:				
Contract services	933,492	408,757	42,928	1,385,177
Grants awarded	1,279,119	-	-	1,279,119
Office and related expenses	909,159	59,860	76,463	1,045,482
Occupancy	689,294	43,561	27,966	760,821
Other direct expenses	382,520	14,141	27,103	423,764
Library maintenance	348,661	-	402	349,063
Depreciation	244,111	15,427	9,904	269,442
Client litigation expenses	182,497	-	-	182,497
Travel and training	74,038	11,655	4,096	89,789
Total other	<u>5,042,891</u>	<u>553,401</u>	<u>188,862</u>	<u>5,785,154</u>
Total operating expenses before donated services	29,086,005	2,716,293	1,350,823	33,153,121
Donated Services	<u>2,463,609</u>	-	-	<u>2,463,609</u>
Total operating expenses	<u>\$ 31,549,614</u>	<u>\$ 2,716,293</u>	<u>\$ 1,350,823</u>	<u>\$ 35,616,730</u>

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

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).

Recently Adopted Accounting Pronouncement

ASU 2020-07, Non-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

The adoption of this ASU did not impact GBLS's net asset classes, results of operations, or cash flows for the eighteen month period ended June 30, 2023.

Change in Fiscal Year

Effective January 1, 2022, GBLS changed its fiscal year end from December 31st to June 30th. GBLS has elected to present the financial statements for the eighteen month period ended June 30, 2023.

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 for the eighteen month period ended June 30, 2023.

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 statement of financial position and totaled \$2,705,907 as of June 30, 2023.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

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 June 30, 2023, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy

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

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. If needed, GBLS may distribute from its investment portfolios (Board designated and donor restricted endowments) an amount not to exceed 5% of the average values for each portfolio over the prior three years determined at least quarterly. Transfers to the operating net assets, in accordance with this policy, were not deemed necessary for the eighteen month period ended June 30, 2023.

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 at June 30, 2023.

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.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

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 fully 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 statement of functional expenses.

Land is not depreciated.

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 during the eighteen months ended June 30, 2023.

Net property and equipment consisted of the following at June 30, 2023:

Land	\$ 418,000
Building and improvements	6,700,507
Computers and office equipment	1,890,897
Law library	<u>145,507</u>
	9,154,911
Less - accumulated depreciation	<u>5,942,168</u>
Net property and equipment	<u>\$ 3,212,743</u>

Net Assets

Net Assets Without Donor Restrictions include the following:

- **Operating** represents amounts which bear no external restrictions and are available for operations.
- **Board Designated - Functioning as Endowment** represents amounts which have been designated by the Board of Directors for investment for future support of program operations. These net assets may not be expended for operations without the Board of Directors' approval. During the eighteen month period ended June 30, 2023, the Board voted to transfer \$1,900,000 to the Board designated endowment.
- **Board Designated - Property and Equipment** represents amounts designated by the Board of Directors for future capital expenditures (see Note 8). 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.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (program restricted) or amounts for use in future periods (time restricted). Net assets with donor restrictions also include appreciation, if any, on donor restricted endowments held in perpetuity in accordance with Massachusetts state law and GBL's spending policy (see investment return allocations and spending policy section of Note 2).

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 for the eighteen month period ended June 30, 2023:

Donor Restricted Endowments Held in Perpetuity:	
Access to Justice Fund	\$ 2,900,296
Harmonix Stockholder's Endowment	2,417,631
Hennessey Fund	318,579
General Endowment	115,275
Marks Fund	82,594
Program restricted - operations	1,321,251
Appreciation on donor restricted endowments held in perpetuity	3,466,268
Time restricted	<u>386,667</u>
	<u>\$ 11,008,561</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 the eighteen month period ended June 30, 2023.

The Harmonix Stockholder's Endowment (Harmonix) was established in 2013 to support a community fellowship program. No additional contributions were made to the endowment during the eighteen month period ended June 30, 2023.

The Hennessey Fund was established in 1990 to raise funds to endow an attorney position. No additional contributions were made to the fund during the eighteen month period ended June 30, 2023.

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 the eighteen month period ended June 30, 2023.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for the eighteen month period ended June 30, 2023 (see Note 12). Contributions and grants without donor restrictions are recognized as revenue when received or unconditionally pledged.

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 statement 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 \$3,797,000 for the eighteen month period ended June 30, 2023), 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 the eighteen month period ended June 30, 2023, GBLS was awarded \$20,171,426 from MLAC. GBLS recognizes MLAC grant revenue as granted each quarter. Restricted MLAC funding in the amount of \$45,000 was received during the eighteen month period ended June 30, 2023. 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 MLAC funding to establish a fund for use in repayment of employee student loans. The unused amount totaled \$232,739, which is accounted for under ASC Topic 958 and is reflected as refundable advances in the accompanying statement of financial position, as the conditions had not been satisfied during the eighteen month period ended June 30, 2023.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 June 30, 2023, or on the results of its operations for the period 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.

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.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for the eighteen month period ended June 30, 2023. GBLS's information returns are subject to examination by the Federal and state jurisdictions.

Statement 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 statement of activities. Peripheral or incidental transactions are reported as non-operating revenue. Non-operating revenue consists of investment activity.

Subsequent Events

Subsequent events have been evaluated through November 8, 2023, 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 June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,780,620	\$ -	\$ -	\$ 2,780,620
Fixed income:				
Corporate bonds	-	5,664,415	-	5,664,415
Equities:				
U.S. large cap	17,292,240	-	-	17,292,240
Exchange-traded funds:				
U.S. mid cap	1,641,955	-	-	1,641,955
U.S. small cap	<u>1,001,211</u>	<u>-</u>	<u>-</u>	<u>1,001,211</u>
Total	<u>\$ 22,716,026</u>	<u>\$ 5,664,415</u>	<u>\$ -</u>	<u>\$ 28,380,441</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
June 30, 2023**3. INVESTMENTS (Continued)**

Net loss on investments consists of the following for the eighteen month period ended June 30, 2023:

Net unrealized loss on investments	\$ (3,279,203)
Net realized gain on the sale of investments	<u>681,974</u>
	<u>\$ (2,597,229)</u>

Investments are not insured and are subject to ongoing market fluctuations. Investments are presented as long-term in the accompanying statement 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 \$264,393 as of June 30, 2023, and are shown as cash - client escrow and client escrow payable in the accompanying statement of financial position.

5. DONATED SERVICES

GBLS receives donated services which represent time spent by pro-bono attorneys, students and other individuals in the Boston area to help support the legal assistance programs. A significant amount of the services are provided by Boston area universities and law firms in relation to the programs that GBLS serves. GBLS values the services by using a fair-market value wage for an equivalent level position. Donated services are recognized as both support and expense in the accompanying statement of activities, and, as a result, do not affect net assets.

6. ENDOWMENTS

Changes in endowment net assets are as follows for the eighteen month period ended June 30, 2023:

	<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, 2021	<u>\$ 15,626,618</u>	<u>\$ 4,426,855</u>	<u>\$ 5,834,375</u>	<u>\$ 10,261,230</u>	<u>\$ 25,887,848</u>
Investment return:					
Investment income, net	227,796	81,402	-	81,402	309,198
Net loss on investments	<u>(1,290,692)</u>	<u>(1,041,989)</u>	-	<u>(1,041,989)</u>	<u>(2,332,681)</u>
Total investment return	<u>(1,062,896)</u>	<u>(960,587)</u>	-	<u>(960,587)</u>	<u>(2,023,483)</u>
Subtotal	14,563,722	3,466,268	5,834,375	9,300,643	23,864,365
Transfer to Board designated endowment	<u>1,900,000</u>	-	-	-	<u>1,900,000</u>
Endowment net assets, June 30, 2023	<u>\$ 16,463,722</u>	<u>\$ 3,466,268</u>	<u>\$ 5,834,375</u>	<u>\$ 9,300,643</u>	<u>\$ 25,764,365</u>

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

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. Borrowings are payable on demand, bear interest at the bank's base lending rate (8.25% at June 30, 2023), and are secured by a first mortgage on GBLS's building. There was no outstanding balance under this line of credit at June 30, 2023. This line of credit is renewable annually in June.

8. CAPITAL RESERVE TRANSFERS

GBLS's Board of Directors voted to transfer \$843,262 in 2023 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.

9. 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 eighteen month period ended June 30, 2023, the Board of Directors approved contributions of \$510,744 to the plan. These contributions are included in payroll taxes and fringe benefits in the accompanying statement of functional expenses.

10. COLLECTIVE BARGAINING AGREEMENTS

GBLS has two collective bargaining agreements which expire on June 30, 2027. Approximately 75% of GBLS's employees are covered under these agreements.

11. CONCENTRATIONS

GBLS received approximately 50% of its total operating revenue and support before donated services from MLAC (see Note 2) for the eighteen month period ended June 30, 2023.

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.

12. 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 by Federal and state agencies, but not recognized as of June 30, 2023, amounted to \$1,998,040.

GREATER BOSTON LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2023

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

GBLS's financial assets without donor restrictions available within one year from the statement of financial position date for general operating expenses are as follows as of June 30:

Cash and cash equivalents	\$ 7,253,716
Grants, pledges and contracts receivable	<u>1,784,046</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,037,762</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. As of June 30, 2023, the number of months of available financial assets is equal to approximately four months of operating expenses.

14. 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. The remaining balance of \$204,000 is shown as cash - funds held for others in the accompanying statement of financial position.