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**FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**METROWEST LEGAL SERVICES, INC.**

Contents  
June 30, 2020 and 2019

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50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpa.com

## Independent Auditor's Report

To the Board of Directors of  
Metrowest Legal Services, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Metrowest Legal Services, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metrowest Legal Services, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 17 is presented for purposes of additional analysis and is 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*AAFCPA, Inc.*

Boston, Massachusetts  
October 22, 2020

**METROWEST LEGAL SERVICES, INC.**

Statements of Financial Position  
June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Current Assets:						
Cash	\$ 565,567	\$ 397,066	\$ 962,633	\$ 247,927	\$ 297,697	\$ 545,624
Accounts and grants receivable	121,066	175,188	296,254	326,921	225,410	552,331
Client escrow funds	222,223	-	222,223	1,897	-	1,897
Prepaid expenses	6,323	-	6,323	7,946	-	7,946
Total current assets	<u>915,179</u>	<u>572,254</u>	<u>1,487,433</u>	<u>584,691</u>	<u>523,107</u>	<u>1,107,798</u>
Other Assets:						
Investments	1,602,766	-	1,602,766	1,182,559	-	1,182,559
Security deposit	9,708	-	9,708	7,708	-	7,708
Furniture and equipment, net	6,972	-	6,972	33,575	-	33,575
Total other assets	<u>1,619,446</u>	<u>-</u>	<u>1,619,446</u>	<u>1,223,842</u>	<u>-</u>	<u>1,223,842</u>
Total assets	<u>\$ 2,534,625</u>	<u>\$ 572,254</u>	<u>\$ 3,106,879</u>	<u>\$ 1,808,533</u>	<u>\$ 523,107</u>	<u>\$ 2,331,640</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable	\$ 64,540	\$ -	\$ 64,540	\$ 29,323	\$ -	\$ 29,323
Accrued expenses	120,365	-	120,365	110,208	-	110,208
Client escrow funds	222,223	-	222,223	1,897	-	1,897
Total current liabilities	<u>407,128</u>	<u>-</u>	<u>407,128</u>	<u>141,428</u>	<u>-</u>	<u>141,428</u>
Note Payable, net of current portion	<u>308,542</u>	<u>-</u>	<u>308,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>715,670</u>	<u>-</u>	<u>715,670</u>	<u>141,428</u>	<u>-</u>	<u>141,428</u>
Net Assets:						
Without donor restrictions:						
Operating	209,217	-	209,217	450,971	-	450,971
Board designated:						
Contingency fund	189,237	-	189,237	173,096	-	173,096
Reserve fund	1,413,529	-	1,413,529	1,009,463	-	1,009,463
Furniture and equipment	6,972	-	6,972	33,575	-	33,575
Total without donor restrictions	<u>1,818,955</u>	<u>-</u>	<u>1,818,955</u>	<u>1,667,105</u>	<u>-</u>	<u>1,667,105</u>
With donor restrictions	-	572,254	572,254	-	523,107	523,107
Total net assets	<u>1,818,955</u>	<u>572,254</u>	<u>2,391,209</u>	<u>1,667,105</u>	<u>523,107</u>	<u>2,190,212</u>
Total liabilities and net assets	<u>\$ 2,534,625</u>	<u>\$ 572,254</u>	<u>\$ 3,106,879</u>	<u>\$ 1,808,533</u>	<u>\$ 523,107</u>	<u>\$ 2,331,640</u>

The accompanying notes are an integral part of these statements.

**METROWEST LEGAL SERVICES, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Grants and contributions	\$ 801,712	\$ 948,623	\$ 1,750,335	\$ 858,336	\$ 552,375	\$ 1,410,711
Government grants and contracts	594,948	-	594,948	573,527	-	573,527
Fundraising and special events	88,892	-	88,892	117,059	-	117,059
Interest and other income	38,118	-	38,118	22,153	-	22,153
Investment income	26,153	-	26,153	34,720	-	34,720
Net assets released from restrictions	899,476	(899,476)	-	631,418	(631,418)	-
Total operating revenue and support before donated goods and services	2,449,299	49,147	2,498,446	2,237,213	(79,043)	2,158,170
Donated goods and services	542,106	-	542,106	462,766	-	462,766
Total operating revenue and support	2,991,405	49,147	3,040,552	2,699,979	(79,043)	2,620,936
<b>Operating Expenses:</b>						
Program services	2,323,243	-	2,323,243	2,139,187	-	2,139,187
General and administrative	360,955	-	360,955	277,037	-	277,037
Development	155,357	-	155,357	149,849	-	149,849
Total operating expenses	2,839,555	-	2,839,555	2,566,073	-	2,566,073
Changes in net assets	151,850	49,147	200,997	133,906	(79,043)	54,863
<b>Net Assets:</b>						
Beginning of year	1,667,105	523,107	2,190,212	1,533,199	602,150	2,135,349
End of year	\$ 1,818,955	\$ 572,254	\$ 2,391,209	\$ 1,667,105	\$ 523,107	\$ 2,190,212

The accompanying notes are an integral part of these statements.

**METROWEST LEGAL SERVICES, INC.**Statements of Cash Flows  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 200,997	\$ 54,863
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	26,603	26,154
Unrealized (gains) losses on investments	6,309	(8,382)
Changes in operating assets and liabilities:		
Accounts and grants receivable	256,077	151,585
Prepaid expenses	1,623	14,334
Accounts payable	35,217	(73,000)
Accrued expenses	10,157	7,418
Client escrow funds	220,326	-
	<u>757,309</u>	<u>172,972</u>
<b>Net cash provided by operating activities</b>	<u>757,309</u>	<u>172,972</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of furniture and equipment	-	(2,935)
Purchase of investments	<u>(426,516)</u>	<u>(175,715)</u>
<b>Net cash used in investing activities</b>	<u>(426,516)</u>	<u>(178,650)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable	<u>308,542</u>	-
<b>Net Change in Cash and Restricted Cash</b>	639,335	(5,678)
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>555,229</u>	<u>560,907</u>
End of year	<u>\$ 1,194,564</u>	<u>\$ 555,229</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Cash	\$ 962,633	\$ 545,624
Client escrow funds	222,223	1,897
Security deposit	<u>9,708</u>	<u>7,708</u>
<b>Total cash and restricted cash</b>	<u>\$ 1,194,564</u>	<u>\$ 555,229</u>

**METROWEST LEGAL SERVICES, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020								2019	
	Program Services					Support Services			Total	Total
	Domestic Violence	Seniors	Immigration	Pro-Bono Involvement	Other Legal Programs *	Total Program Services	General and Administrative	Development		
<b>Operating Expenses:</b>										
Salaries and related:										
Salaries - attorneys	\$ 102,718	\$ 127,017	\$ 188,089	\$ 32,824	\$ 476,916	\$ 927,564	\$ 58,156	\$ 29,078	\$ 1,014,798	\$ 951,774
Fringe benefits	13,697	39,859	47,679	5,264	169,290	275,789	30,029	9,520	315,338	267,117
Salaries - other	12,000	-	25,106	-	125,791	162,897	79,285	65,951	308,133	261,700
Payroll taxes	8,814	9,613	15,817	2,519	39,542	76,305	11,843	8,010	96,158	96,492
Total salaries and related before donated services	137,229	176,489	276,691	40,607	811,539	1,442,555	179,313	112,559	1,734,427	1,577,083
Donated services	-	-	-	435,780	-	435,780	98,012	3,000	536,792	451,440
Total salaries and related	137,229	176,489	276,691	476,387	811,539	1,878,335	277,325	115,559	2,271,219	2,028,523
<b>Other:</b>										
Contracted services	2,669	-	140,109	70	39,985	182,833	17,772	5,101	205,706	174,963
Occupancy	16,632	16,362	22,521	4,607	44,347	104,469	8,217	6,848	119,534	110,680
Equipment maintenance	30	-	45	164	48,096	48,335	3,890	3,653	55,878	36,253
Depreciation	-	-	-	-	-	-	26,603	-	26,603	26,154
Professional fees	-	-	360	-	785	1,145	23,813	-	24,958	24,721
Travel	1,375	2,684	1,484	1,048	8,633	15,224	-	864	16,088	21,426
Training	379	35	2,332	65	4,708	7,519	129	7,895	15,543	20,345
Office supplies	974	1,819	1,288	483	8,340	12,904	171	181	13,256	14,231
Equipment leases	50	749	1,337	-	8,382	10,518	828	690	12,036	11,421
Postage and printing	632	379	2,999	141	4,717	8,868	827	2,327	12,022	15,242
Insurance	-	3	1,312	602	8,524	10,441	822	685	11,948	9,773
Licenses, fees and membership dues	625	325	2,730	195	7,727	11,602	196	-	11,798	11,981
Books and subscriptions	2,440	104	55	600	8,361	11,560	-	-	11,560	11,615
Special events	-	-	-	-	-	-	-	11,095	11,095	27,922
Miscellaneous	533	-	370	-	5,441	6,344	25	179	6,548	5,206
Program litigation fees	728	23	45	-	5,702	6,498	-	-	6,498	5,377
Telephone	857	820	868	304	1,417	4,266	337	280	4,883	7,334
Client assistance funds	-	-	400	-	1,982	2,382	-	-	2,382	2,906
Total other	27,924	23,303	178,255	8,279	207,147	444,908	83,630	39,798	568,336	537,550
Total operating expenses	\$ 165,153	\$ 199,792	\$ 454,946	\$ 484,666	\$ 1,018,686	\$ 2,323,243	\$ 360,955	\$ 155,357	\$ 2,839,555	\$ 2,566,073

\* Other legal programs include: Housing, Benefits, Wage and Hour, Medical Legal Partnership, Special Education, and various other program initiatives.



**METROWEST LEGAL SERVICES, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Program Services					Support Services			Total
	Domestic Violence	Seniors	Immigration	Pro-Bono Involvement	Other Legal Programs *	Total Program Services	General and Administrative	Development	
<b>Operating Expenses:</b>									
Salaries and related:									
Salaries - attorneys	\$ 110,348	\$ 101,415	\$ 165,138	\$ 30,385	\$ 465,738	\$ 873,024	\$ 52,500	\$ 26,250	\$ 951,774
Fringe benefits	13,467	22,286	40,248	3,622	142,941	222,564	29,132	15,421	267,117
Salaries - other	-	-	9,673	-	130,839	140,512	70,193	50,995	261,700
Payroll taxes	8,635	7,973	14,331	2,386	47,572	80,897	9,570	6,025	96,492
Total salaries and related before donated services	132,450	131,674	229,390	36,393	787,090	1,316,997	161,395	98,691	1,577,083
Donated services	-	-	-	451,440	-	451,440	-	-	451,440
Total salaries and related	132,450	131,674	229,390	487,833	787,090	1,768,437	161,395	98,691	2,028,523
Other:									
Contracted services	1,565	24,417	111,594	-	10,531	148,107	25,816	1,040	174,963
Occupancy	12,889	20,461	19,004	4,795	38,589	95,738	8,301	6,641	110,680
Equipment maintenance	76	1,138	1,975	180	2,155	5,524	27,201	3,528	36,253
Depreciation	-	-	-	-	-	-	26,154	-	26,154
Professional fees	-	-	760	-	425	1,185	23,536	-	24,721
Travel	2,957	3,282	2,829	122	11,271	20,461	85	880	21,426
Training	134	588	1,067	1,676	12,076	15,541	399	4,405	20,345
Office supplies	259	3,296	1,637	801	5,644	11,637	1,067	1,527	14,231
Equipment leases	-	2,295	1,823	279	5,481	9,878	857	686	11,421
Postage and printing	317	1,218	6,925	284	1,867	10,611	1,143	3,488	15,242
Insurance	-	709	1,777	600	6,172	9,258	286	229	9,773
Licenses, fees and membership dues	520	609	1,188	-	9,404	11,721	247	13	11,981
Books and subscriptions	1,877	617	203	600	8,318	11,615	-	-	11,615
Special events	-	-	-	-	-	-	-	27,922	27,922
Miscellaneous	-	-	2,103	-	2,745	4,848	-	358	5,206
Program litigation fees	144	48	2,114	-	3,071	5,377	-	-	5,377
Telephone	982	1,817	1,417	330	1,797	6,343	550	441	7,334
Client assistance funds	-	-	-	-	2,906	2,906	-	-	2,906
Total other	21,720	60,495	156,416	9,667	122,452	370,750	115,642	51,158	537,550
Total operating expenses	\$ 154,170	\$ 192,169	\$ 385,806	\$ 497,500	\$ 909,542	\$ 2,139,187	\$ 277,037	\$ 149,849	\$ 2,566,073

\* Other legal programs include: Housing, Benefits, Wage and Hour, Medical Legal Partnership, Special Education, and various other program initiatives.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

Metrowest Legal Services, Inc. (MWLS) provides free legal advocacy in civil cases to protect and advance the rights of the poor, elderly, disabled, homeless, and other disenfranchised individuals in the thirty-six communities in the metro-west area of Massachusetts so they may obtain legal, social and economic justice. MWLS assists eligible individuals in securing access to basic needs and in challenging institutional barriers in order to achieve justice.

#### Nonprofit Status

MWLS is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). MWLS is also exempt from state income taxes. Donors may deduct contributions made to MWLS within IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

MWLS prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) 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 Pronouncements

##### *Revenue from Contracts with Customers*

During fiscal year 2020, MWLS adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MWLS adopted Topic 606 using a modified prospective method effective July 1, 2019. The adoption of this standard did not have a significant impact on MWLS's financial statements as MWLS's primary sources of revenue are grants and contributions and government grants and contracts, which are not subject to this accounting standard.

##### *Contributions Received and Contributions Made*

MWLS also adopted FASB's Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. MWLS adopted ASU No. 2018-08 using a modified prospective method effective July 1, 2019. The adoption of this standard did not have any impact on MWLS's financial statements as the recognition of grants and contributions revenue did not change as a result of the new standard.

##### *Restricted Cash*

During fiscal year 2020, MWLS also adopted FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Recently Adopted Accounting Pronouncements (Continued)

##### *Restricted Cash (Continued)*

The adoption of ASU No. 2016-18 resulted in the following changes to MWLS's cash flow classification for the year ended June 30, 2019:

<u>Statement of Cash Flows</u>	<u>Fiscal Year 2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>Fiscal Year 2019 As Adjusted</u>
Operating activities	\$ 172,972	\$ -	\$ 172,972
Investing activities	<u>(23,683)</u>	<u>(154,967)</u>	<u>(178,650)</u>
Net change in cash and restricted cash	<u>\$ 149,289</u>	<u>\$ (154,967)</u>	<u>\$ (5,678)</u>

#### Revenue Recognition

##### *Government Grants and Contracts and Philanthropic Support*

MWLS's main sources of revenue are funding from state and local contracts and government grants (government grants and contracts), Massachusetts Legal Corporation (MLAC) (through state appropriation, Federal funding and interest earned on Lawyer Trust Accounts) (see Note 5), and various forms of philanthropic support. Philanthropic support and MLAC funds are included in grants and contributions. These grants, contracts and contributions have been recorded in accordance with ASU Topic 958 (see below).

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, MWLS 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 such as qualifying expenses 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 other measurable barriers, 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 MWLS 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. See Note 10 for disclosure of MLAC's conditional awards at June 30, 2020.

MWLS records revenues from grants and contributions without donor restrictions as revenue and net assets when received or unconditionally committed by the donor. Grants and contributions received with donor designated purpose restrictions or specified time requirements are recorded as revenue and net assets with donor restrictions when received or unconditionally committed by the donor. Net assets released from restrictions are transferred to revenue and net assets without donor restrictions as costs are incurred or time restrictions or program restrictions are satisfied.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### *Fundraising and Special Events*

MWLS generally measures revenue for qualifying exchange transactions based on the amount of consideration MWLS expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as MWLS satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. MWLS evaluates its fundraising and special events (special event) revenue based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Special event income is derived from MWLS's performance to host its jazz event and other fundraising events in which revenues are recognized at the time of the events. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received in accordance with ASC Subtopic 958-605, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Receive and Contributions*. The sales portion of the special event income is derived from various components, including ticket sales from these events held in which the transaction price is determined annually in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Ticket sales for these events are set by MWLS and have not been allocated as these events are each considered to be one performance obligations. Fees collected in advance of the special event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue as of June 30, 2020 and 2019, as fees were collected and the events were held in the same period.

##### *Investment, Interest and Other Income*

Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are recorded using the average cost method. Unrealized gains and losses are recognized based on market value changes during the period (see Note 7). All other revenue is recognized when earned.

#### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets

Net assets without donor restrictions consist of the following:

**Operating net assets** represent amounts that are currently available for operations.

**Board designated net assets** represent the following funds designated by the Board of Directors:

**Contingency fund:** This fund represents amounts designated as a contingency fund that is equal to one month of MWLS's current fiscal year cash basis operating expenses. This fund is to be utilized by MWLS in the event of a budget deficit with the approval of the Board of Directors.

**Reserve fund:** This fund represents amounts designated by the Board of Directors as a future operating reserve. The fund balance is calculated to equal the remaining balance of investments (see Note 7) after funding the contingency fund (see above). This fund is to be utilized by MWLS to enhance the fulfillment of its mission with the approval of the Board of Directors.

**Furniture and equipment net assets** reflect the net book value of MWLS's furniture and equipment.

Net assets with donor restrictions represent grants and contributions whose use has been limited by donors to a specific time period or for a specified purpose. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Net assets with donor restrictions are restricted as follows at June 30:

	<u>2020</u>	<u>2019</u>
Purpose	\$ 555,587	\$ 512,274
Time	<u>16,667</u>	<u>10,833</u>
	<u>\$ 572,254</u>	<u>\$ 523,107</u>

Net assets released from restrictions for the years ended June 30, 2020 and 2019, were based on the satisfaction of the following restrictions:

	<u>2020</u>	<u>2019</u>
Purpose	\$ 799,959	\$ 566,834
Time	<u>99,517</u>	<u>64,584</u>
	<u>\$ 899,476</u>	<u>\$ 631,418</u>

#### Fair Value Measurements

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

## **METROWEST LEGAL SERVICES, INC.**

Notes to Financial Statements  
June 30, 2020 and 2019

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fair Value Measurements (Continued)**

MWLS 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 MWLS. 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.

#### *Investments*

Investments are recorded in the financial statements at fair value. If an investment is directly held by MWLS and an active market with quoted prices exists, the market price of an identical security (Level 1 input) is used to report fair value. Reported fair values of money market funds are based on market values reported by the market as of the last business day of the year. MWLS records its corporate bond investments using quoted prices for identical or similar assets in non-active markets (Level 2 inputs).

#### **Cash and Restricted Cash**

For the purpose of the statements of cash flows, cash and restricted cash includes a checking account (cash), security deposit and client escrow funds (see Note 9).

#### **Accounts and Grants Receivable**

Accounts and grants receivable at June 30, 2020 and 2019, consist of amounts due for program services provided. Management establishes an allowance for doubtful accounts based on historical collections and other factors. No allowance was deemed necessary at June 30, 2020 and 2019.

#### **Furniture and Equipment and Depreciation**

Furniture and equipment (see Note 3) with a cost greater than \$2,000 are recorded at cost if purchased or at fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five to seven years.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expense Allocation

MWLS allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are charged directly according to their natural account classification. Other expenses that are common to several programs or supporting functions are allocated based upon management's estimate of the percentage attributable to each program or supporting 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 are salaries and related, which are allocated on the basis of estimates of time and effort; and occupancy, training, office supplies, equipment leases, insurance and telephone expenses, which are allocated in accordance the distribution of salaries and related costs (see above).

#### Advertising Costs

MWLS expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2020 and 2019, were \$4,568 and \$4,643, respectively, and are included in miscellaneous expense in the accompanying statements of functional expenses.

#### Donated Goods and Services

Donated goods and services represent time spent by various attorneys in the metro-west area of Massachusetts in connection with MWLS's programs and other services and donated goods at MWLS's special events. Donated services have been valued by MWLS based on the types of services performed. Donated goods are valued based upon management's estimate of fair market value at the time of donation and are included in donated goods and services and special events in the accompanying statements of functional expenses. Donated goods and services are recognized as both support and expense.

Donated goods and services consist of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Services	\$ 536,792	\$ 451,440
Goods	<u>5,314</u>	<u>11,326</u>
	<u>\$ 542,106</u>	<u>\$ 462,766</u>

#### Income Taxes

MWLS 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. MWLS has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. MWLS's information returns are subject to examination by Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through October 22, 2020, which is the date the financial statements were available to be issued. See Note 4 for an event that met the criteria for disclosure in the financial statements.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 3. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 30,153	\$ 30,153
Computers	140,863	140,863
Equipment	<u>20,078</u>	<u>20,078</u>
	191,094	191,094
Less - accumulated depreciation	<u>184,122</u>	<u>157,519</u>
Net furniture and equipment	<u>\$ 6,972</u>	<u>\$ 33,575</u>

### 4. LEASES

MWLS has a lease agreement for office space that expires on October 31, 2020, with monthly rental payments of \$7,708 through October 31, 2018, at which point the payments increased to \$7,863 through the end of the lease. Subsequent to year end, this lease was extended until October 31, 2023, with monthly rental payments of \$7,900 through October 31, 2022, at which point the payments will increase to \$8,295 through the end of the lease. Under the terms of the agreement, MWLS is responsible for its share of real estate taxes. Rent expense totaling \$94,350 and \$93,733 for the years ended June 30, 2020 and 2019, respectively, is included in occupancy in the accompanying statements of functional expenses.

MWLS also leases equipment under operating lease agreements that expire at various dates through June 2025.

Remaining future minimum lease payments under these agreements are as follows:

	<u>Office Space</u>	<u>Equipment</u>
2021	\$ 94,650	\$ 8,064
2022	94,800	6,480
2023	97,960	6,480
2024	33,180	6,480
2025	<u>-</u>	<u>6,480</u>
	<u>\$ 320,590</u>	<u>\$ 33,984</u>

### 5. FUNDING

MLAC provides a significant portion of MWLS's total revenue (approximately 50% and 51% for the years ended June 30, 2020 and 2019, respectively, before donated goods and services). MLAC is a nonprofit organization created by the Massachusetts Legislature to provide financial support for legal assistance programs. MLAC's distributions to MWLS and other legal assistance programs are subject to state appropriations, interest earned on Lawyer Trust Accounts, and other restrictions imposed by MLAC's donors/grantors. During fiscal years 2020 and 2019, MLAC awarded MWLS \$1,241,071 and \$1,102,193, respectively. All of MWLS's grants from MLAC are awarded annually and consist of funds for general support and program specific activity.

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



**METROWEST LEGAL SERVICES, INC.**Notes to Financial Statements  
June 30, 2020 and 2019**5. FUNDING (Continued)**

Approximately 29% and 47% of MWLS's accounts and grants receivable at June 30, 2020 and 2019, respectively, were due from MLAC. Approximately 34% and 39% of accounts and grants receivable at June 30, 2020 and 2019, respectively, were due from MetroWest Health Foundation. Approximately 20% and 6% of accounts and grants receivable at June 30, 2020 and 2019, respectively, were due from the Department of Public Health.

**6. SUB-GRANT AGREEMENT**

MWLS is a sub-recipient of an award originating from the Legal Service Corporation (LSC), a nonprofit organization that provides funding for civic legal aids. The award is passed through the Volunteer Lawyer Project (VLP), a nonprofit organization. MWLS must comply with specified LSC rules, regulations and program guidelines, which are monitored by VLP. The amounts awarded and earned in fiscal years 2020 and 2019 were \$46,745, and are included in government grants and contracts in the accompanying statements of activities and changes in net assets. This funding is subject to audit by LSC and VLP. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of MWLS as of June 30, 2020 or 2019, or the changes in its net assets for the years then ended.

**7. INVESTMENTS**

The following table presents MWLS's investments, by level within the fair value hierarchy (see pages 10 and 11), as of June 30:

	<b>2020</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 622,472	\$ -	\$ -	\$ 622,472
Fixed income:				
Certificates of deposit	151,969	-	-	151,969
Corporate bonds	-	354,474	-	354,474
Fixed income mutual funds	178,526	-	-	178,526
U.S. government obligations	<u>60,381</u>	-	-	<u>60,381</u>
Total fixed income	390,876	354,474	-	745,350
Equities:				
Exchange traded products	<u>234,944</u>	-	-	<u>234,944</u>
Total	<u>\$ 1,248,292</u>	<u>\$ 354,474</u>	<u>\$ -</u>	<u>\$ 1,602,766</u>
	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 12,491	\$ -	\$ -	\$ 12,491
Fixed income:				
Certificates of deposit	451,693	-	-	451,693
Corporate bonds	-	204,498	-	204,498
Fixed income mutual funds	178,550	-	-	178,550
U.S. government obligations	<u>99,974</u>	-	-	<u>99,974</u>
Total fixed income	730,217	204,498	-	934,715
Equities:				
Exchange traded products	<u>235,353</u>	-	-	<u>235,353</u>
Total	<u>\$ 978,061</u>	<u>\$ 204,498</u>	<u>\$ -</u>	<u>\$ 1,182,559</u>

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 7. INVESTMENTS (Continued)

MWLS's investment income for the years ended June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 32,462	\$ 26,338
Unrealized gains (losses) on investments	<u>(6,309)</u>	<u>8,382</u>
Investment income	<u>\$ 26,153</u>	<u>\$ 34,720</u>

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

### 8. NOTE PAYABLE

MWLS applied for and was awarded a forgivable loan of \$308,542 from the PPP established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits, as well as rent and utilities during a twenty-four-week period ending in October 2020 (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until March 4, 2020, when the note, plus interest, will be due in equal monthly payments through May 4, 2022. There are no covenants to comply with and the note is not secured by any collateral as of June 30, 2020. There was no accrued interest on the note payable as of June 30, 2020, as it would be immaterial to the overall financial statements.

As of June 30, 2020, MWLS has not submitted the application for forgiveness. However, MWLS anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term in the accompanying statement of financial position as of June 30, 2020.

### 9. CLIENT ESCROW FUNDS

MWLS maintains and administers client funds relative to cases that are currently in litigation. The amounts are paid out as directed by the clients. The amount held in escrow was \$222,223 and \$1,897 at June 30, 2020 and 2019, respectively.

### 10. CONDITIONAL GRANTS

During fiscal year 2020, MWLS received government grants and contributions that contained conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. MWLS recognizes these government grants and contributions when conditions are met. During the year ended June 30, 2020, MWLS recognized \$594,948 of these government grants and contributions. Conditional promises to give at June 30, 2020, consist of cost reimbursable contracts totaling \$285,748. MWLS is required to incur qualifying expenses in order to satisfy these conditions. MWLS expects to meet these conditions during fiscal year 2021, at which point the underlying revenue will be recognized. Conditional advances prior to the adoption of ASU 2018-08 are not required to be disclosed under the modified prospective adoption method.

## METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 11. CONCENTRATION OF RISK

MWLS maintains its cash balances and CDs in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, balances exceeded the insured amounts. MWLS has not experienced any losses in such accounts. MWLS believes it is not exposed to any significant credit risk on its operating cash balances and CDs.

### 12. RETIREMENT PLAN

MWLS sponsors a defined contribution retirement plan under IRC Section 403(b) for qualified employees. Employee contributions vest immediately. Under the terms of plan, MWLS may make matching contributions at its discretion. MWLS made matching contributions totaling \$47,166 and \$21,675 for the years ended June 30, 2020 and 2019, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

### 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

MWLS's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 962,633	\$ 545,624
Accounts and grants receivable	<u>296,254</u>	<u>552,331</u>
	1,258,887	1,097,955
Less - net assets with purpose donor restrictions (see page 10)	(555,587)	(512,274)
Add - investments (see Note 7)	<u>1,602,766</u>	<u>1,182,559</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 2,306,066</u>	<u>\$ 1,768,240</u>

MWLS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020 and 2019, MWLS has financial assets equal to approximately twelve and ten months, respectively, of operating expenses (excluding donated goods and services and depreciation). It is the intention of management to maintain MWLS's investments for long-term purposes. However, the investments could be liquidated for short-term cash flow needs.

### 14. CONTINGENCY

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

### 15. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform to the fiscal year 2020 presentation.

**METROWEST LEGAL SERVICES, INC.**

 Supplementary Information - Statement of Activities and Changes in Net Assets Without Donor Restrictions  
 For the Year Ended June 30, 2020

	<b>Without Donor Restrictions</b>		
	<b>Volunteer Lawyer Project</b>	<b>Other</b>	<b>Total Without Donor Restrictions</b>
<b>Operating Revenue and Support:</b>			
Grants and contributions	\$ -	\$ 1,701,188	\$ 1,701,188
Government grants and contracts	46,745	548,203	594,948
Fundraising and special events	-	88,892	88,892
Interest and other income	-	38,118	38,118
Investment income	-	26,153	26,153
Total operating revenue and support before donated goods and services	<u>46,745</u>	<u>2,402,554</u>	<u>2,449,299</u>
Donated goods and services	435,780	106,326	542,106
Total operating revenue and support	<u>482,525</u>	<u>2,508,880</u>	<u>2,991,405</u>
<b>Operating Expenses:</b>			
Salaries and related:			
Salaries - attorneys	32,822	981,976	1,014,798
Fringe benefits	4,025	311,313	315,338
Salaries - other	-	308,133	308,133
Payroll taxes	2,519	93,639	96,158
Total salaries and related before donated services	<u>39,366</u>	<u>1,695,061</u>	<u>1,734,427</u>
Donated services	435,780	101,012	536,792
Total salaries and related	<u>475,146</u>	<u>1,796,073</u>	<u>2,271,219</u>
Other:			
Contracted services	70	205,636	205,706
Occupancy	4,607	114,927	119,534
Equipment leases	-	12,036	12,036
Equipment maintenance	164	55,714	55,878
Depreciation	-	26,603	26,603
Professional fees	-	24,958	24,958
Travel	148	15,940	16,088
Training	65	15,478	15,543
Office supplies	483	12,773	13,256
Postage and printing	141	11,881	12,022
Insurance	602	11,346	11,948
Licenses, fees and membership dues	195	11,603	11,798
Books and subscriptions	600	10,960	11,560
Special events	-	11,095	11,095
Miscellaneous	-	6,548	6,548
Program litigation fees	-	6,498	6,498
Telephone	304	4,579	4,883
Client assistance funds	-	2,382	2,382
Total other	<u>7,379</u>	<u>560,957</u>	<u>568,336</u>
Total operating expenses	<u>482,525</u>	<u>2,357,030</u>	<u>2,839,555</u>
Changes in net assets without donor restrictions	-	151,850	151,850
<b>Net Assets Without Donor Restrictions:</b>			
Beginning of year	-	1,667,105	1,667,105
End of year	<u>\$ -</u>	<u>\$ 1,818,955</u>	<u>\$ 1,818,955</u>