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**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

METROWEST LEGAL SERVICES, INC.

Contents
June 30, 2019 and 2018

	<u>Pages</u>
Independent Auditor’s Report	1 - 1A
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	5
Statements of Functional Expenses	4
Notes to Financial Statements	6 - 13
Supplementary Information:	
Statement of Activities and Changes in Net Assets Without Donor Restrictions	14



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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 14 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.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
October 16, 2019

METROWEST LEGAL SERVICES, INC.

Statements of Financial Position
June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 247,927	\$ 297,697	\$ 545,624	\$ 156,256	\$ 240,079	\$ 396,335
Accounts and grants receivable	326,921	225,410	552,331	341,845	362,071	703,916
Prepaid expenses	7,946	-	7,946	22,280	-	22,280
Total current assets	<u>582,794</u>	<u>523,107</u>	<u>1,105,901</u>	<u>520,381</u>	<u>602,150</u>	<u>1,122,531</u>
Other Assets:						
Investments	1,182,559	-	1,182,559	998,462	-	998,462
Restricted cash	-	-	-	154,967	-	154,967
Security deposit	7,708	-	7,708	7,708	-	7,708
Furniture and equipment, net	33,575	-	33,575	56,794	-	56,794
Total other assets	<u>1,223,842</u>	<u>-</u>	<u>1,223,842</u>	<u>1,217,931</u>	<u>-</u>	<u>1,217,931</u>
Total assets	<u>\$ 1,806,636</u>	<u>\$ 523,107</u>	<u>\$ 2,329,743</u>	<u>\$ 1,738,312</u>	<u>\$ 602,150</u>	<u>\$ 2,340,462</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	\$ 29,323	\$ -	\$ 29,323	\$ 102,323	\$ -	\$ 102,323
Accrued expenses	110,208	-	110,208	102,790	-	102,790
Total current liabilities	<u>139,531</u>	<u>-</u>	<u>139,531</u>	<u>205,113</u>	<u>-</u>	<u>205,113</u>
Net Assets:						
Without donor restrictions:						
Operating	450,971	-	450,971	337,501	-	337,501
Board designated:						
Contingency fund	173,096	-	173,096	169,503	-	169,503
Reserve fund	1,009,463	-	1,009,463	983,926	-	983,926
Furniture and equipment	33,575	-	33,575	42,269	-	42,269
Total without donor restrictions	<u>1,667,105</u>	<u>-</u>	<u>1,667,105</u>	<u>1,533,199</u>	<u>-</u>	<u>1,533,199</u>
With donor restrictions	-	523,107	523,107	-	602,150	602,150
Total net assets	<u>1,667,105</u>	<u>523,107</u>	<u>2,190,212</u>	<u>1,533,199</u>	<u>602,150</u>	<u>2,135,349</u>
Total liabilities and net assets	<u>\$ 1,806,636</u>	<u>\$ 523,107</u>	<u>\$ 2,329,743</u>	<u>\$ 1,738,312</u>	<u>\$ 602,150</u>	<u>\$ 2,340,462</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Grants and contributions	\$ 858,336	\$ 552,375	\$ 1,410,711	\$ 832,589	\$ 958,328	\$ 1,790,917
Contract revenue	573,527	-	573,527	537,816	-	537,816
Fundraising and special events	117,059	-	117,059	125,863	-	125,863
Investment income	34,720	-	34,720	754	-	754
Attorney fees	19,588	-	19,588	27,834	-	27,834
Interest and other income	2,565	-	2,565	11,132	-	11,132
Net assets released from restrictions	631,418	(631,418)	-	616,840	(616,840)	-
Total operating revenue and support before donated goods and services	2,237,213	(79,043)	2,158,170	2,152,828	341,488	2,494,316
Donated goods and services	462,766	-	462,766	569,483	-	569,483
Total operating revenue and support	2,699,979	(79,043)	2,620,936	2,722,311	341,488	3,063,799
Operating Expenses:						
Program services	2,139,187	-	2,139,187	2,204,314	-	2,204,314
General and administrative	277,037	-	277,037	227,911	-	227,911
Development	149,849	-	149,849	181,092	-	181,092
Total operating expenses	2,566,073	-	2,566,073	2,613,317	-	2,613,317
Changes in net assets	133,906	(79,043)	54,863	108,994	341,488	450,482
Net Assets:						
Beginning of year	1,533,199	602,150	2,135,349	1,424,205	260,662	1,684,867
End of year	\$ 1,667,105	\$ 523,107	\$ 2,190,212	\$ 1,533,199	\$ 602,150	\$ 2,135,349

The accompanying notes are an integral part of these statements.

METROWEST LEGAL SERVICES, INC.Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 54,863	\$ 450,482
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	26,154	9,798
Unrealized gains on investments	(8,382)	(644)
Changes in operating assets and liabilities:		
Accounts and grants receivable	151,585	(420,488)
Prepaid expenses	14,334	(17,389)
Accounts payable	(73,000)	78,021
Accrued expenses	7,418	11,251
	<u>172,972</u>	<u>111,031</u>
Net cash provided by operating activities		
	<u>172,972</u>	<u>111,031</u>
Cash Flows from Investing Activities:		
Purchase of furniture and equipment	(2,935)	(57,584)
Purchase of investments	(175,715)	(995,316)
Decrease in restricted cash	154,967	646,445
	<u>(23,683)</u>	<u>(406,455)</u>
Net cash used in investing activities		
	<u>(23,683)</u>	<u>(406,455)</u>
Net Change in Cash and Cash Equivalents	149,289	(295,424)
Cash and Cash Equivalents:		
Beginning of year	<u>396,335</u>	<u>691,759</u>
End of year	<u>\$ 545,624</u>	<u>\$ 396,335</u>

METROWEST LEGAL SERVICES, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019									2018			
	Program Services					Support Services				Support Services			
	Domestic Violence	Seniors	Immigration	Pro-Bono Involvement	Other Legal Programs *	Total Program Services	General and Administrative	Development	Total	Total Program Services	General and Administrative	Development	Total
Operating Expenses:													
Salaries and related:													
Salaries - attorneys	\$ 110,348	\$ 101,415	\$ 165,138	\$ 30,385	\$ 465,738	\$ 873,024	\$ 52,500	\$ 26,250	\$ 951,774	\$ 835,767	\$ 56,595	\$ 28,298	\$ 920,660
Fringe benefits	13,467	22,286	40,248	3,622	142,941	222,564	29,132	15,421	267,117	226,702	16,332	22,538	265,572
Salaries - other	-	-	9,673	-	130,839	140,512	70,193	50,995	261,700	145,560	57,703	75,954	279,217
Payroll taxes	8,635	7,973	14,331	2,386	47,572	80,897	9,570	6,025	96,492	71,284	8,570	7,675	87,529
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	1,279,313	139,200	134,465	1,552,978
Donated services	-	-	-	451,440	-	451,440	-	-	451,440	540,540	-	-	540,540
Total salaries and related	132,450	131,674	229,390	487,833	787,090	1,768,437	161,395	98,691	2,028,523	1,819,853	139,200	134,465	2,093,518
Other:													
Contracted services	1,565	24,417	111,594	-	10,531	148,107	25,816	1,040	174,963	173,336	17,474	1,282	192,092
Occupancy	12,889	20,461	19,004	4,795	38,589	95,738	8,301	6,641	110,680	95,870	8,312	6,650	110,832
Equipment maintenance	76	1,138	1,975	180	2,155	5,524	27,201	3,528	36,253	4,358	27,987	2,789	35,134
Special events	-	-	-	-	-	-	-	27,922	27,922	-	-	30,492	30,492
Depreciation	-	-	-	-	-	-	26,154	-	26,154	-	9,798	-	9,798
Professional fees	-	-	760	-	425	1,185	23,536	-	24,721	1,979	17,250	-	19,229
Travel	2,957	3,282	2,829	122	11,271	20,461	85	880	21,426	18,386	74	311	18,771
Training	134	588	1,067	1,676	12,076	15,541	399	4,405	20,345	12,075	1,888	1,055	15,018
Postage and printing	317	1,218	6,925	284	1,867	10,611	1,143	3,488	15,242	11,810	1,080	1,511	14,401
Office supplies	259	3,296	1,637	801	5,644	11,637	1,067	1,527	14,231	14,873	1,293	1,076	17,242
Licenses, fees and membership dues	520	609	1,188	-	9,404	11,721	247	13	11,981	10,507	375	92	10,974
Books and subscriptions	1,877	617	203	600	8,318	11,615	-	-	11,615	9,285	-	-	9,285
Equipment leases	-	2,295	1,823	279	5,481	9,878	857	686	11,421	9,126	791	634	10,551
Insurance	-	709	1,777	600	6,172	9,258	286	229	9,773	11,312	286	229	11,827
Telephone	982	1,817	1,417	330	1,797	6,343	550	441	7,334	6,260	543	435	7,238
Program litigation fees	144	48	2,114	-	3,071	5,377	-	-	5,377	838	-	-	838
Miscellaneous	-	-	2,103	-	2,745	4,848	-	358	5,206	670	1,560	71	2,301
Client assistance funds	-	-	-	-	2,906	2,906	-	-	2,906	3,776	-	-	3,776
Total other	21,720	60,495	156,416	9,667	122,452	370,750	115,642	51,158	537,550	384,461	88,711	46,627	519,799
Total operating expenses	\$ 154,170	\$ 192,169	\$ 385,806	\$ 497,500	\$ 909,542	\$ 2,139,187	\$ 277,037	\$ 149,849	\$ 2,566,073	\$ 2,204,314	\$ 227,911	\$ 181,092	\$ 2,613,317

* 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, 2019 and 2018

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).

Accounting Principle Adoption

In fiscal year 2019, MWLS adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. MWLS has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact MWLS's net asset classes, results of operations, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 financial statements.

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.

Revenue Recognition

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. Contract revenue, fundraising, attorney fees, special events, interest, and other income are recorded when earned.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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 restricted cash and 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>2019</u>	<u>2018</u>
Purpose	\$ 512,274	\$ 591,733
Time	<u>10,833</u>	<u>10,417</u>
	<u>\$ 523,107</u>	<u>\$ 602,150</u>

Net assets released from restrictions for the years ended June 30, 2019 and 2018, were based on the satisfaction of the following restrictions:

	<u>2019</u>	<u>2018</u>
Purpose	\$ 566,834	\$ 542,257
Time	<u>64,584</u>	<u>74,583</u>
	<u>\$ 631,418</u>	<u>\$ 616,840</u>

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of a checking and money market accounts.

Restricted Cash

Restricted cash consisted of the portion of the Board designated funds (see page 7) not included in investments (see Note 7). The balance of restricted cash as of June 30, 2018, includes certificates of deposit (CDs), savings and money market accounts. The CDs included in this balance had initial maturities ranging from twelve to twenty-four months, expired on various dates up to February 2019, and bore interest at rates ranging between 0.20% and 2.08%. The restricted cash balance has been classified as long-term assets based on the Board of Directors' intended use of the funds. During fiscal year 2019, the balance of restricted cash was liquidated and transferred into MWLS's investment account (see Note 7).

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Grants Receivable

Accounts and grants receivable at June 30, 2019 and 2018, 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, 2019 and 2018.

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.

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, 2019 and 2018, were \$4,643 and \$746, 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 donated goods at MWLS's special events. Donated services have been valued by MWLS at \$270 per hour for the years ended June 30, 2019 and 2018, 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, office supplies, 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>2019</u>	<u>2018</u>
Services	\$ 451,440	\$ 540,540
Goods	<u>11,326</u>	<u>28,943</u>
	<u>\$ 462,766</u>	<u>\$ 569,483</u>

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. MWLS's information returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 16, 2019, 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. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 30,153	\$ 30,153
Computers	140,863	137,928
Equipment	<u>20,078</u>	<u>20,078</u>
	191,094	188,159
Less - accumulated depreciation	<u>157,519</u>	<u>131,365</u>
Net furniture and equipment	<u>\$ 33,575</u>	<u>\$ 56,794</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. Under the terms of the agreement, MWLS is responsible for its share of real estate taxes. Rent expense totaling \$93,733 and \$92,500 for the years ended June 30, 2019 and 2018, 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 March 2021.

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

	<u>Office Space</u>	<u>Equipment</u>
2020	\$ 94,350	\$ 9,757
2021	<u>31,450</u>	<u>1,584</u>
Total	<u>\$ 125,800</u>	<u>\$ 11,341</u>

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

5. FUNDING

Massachusetts Legal Assistance Corporation (MLAC) provides a significant portion of MWLS's total revenue (approximately 48% and 43% for the years ended June 30, 2019 and 2018, 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 2019 and 2018, MLAC awarded MWLS \$1,027,193 and \$1,067,126, 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.

Approximately 47% and 43% of MWLS's accounts and grants receivable at June 30, 2019 and 2018, respectively, were due from MLAC. Approximately 39% and 51% of accounts and grants receivable at June 30, 2019 and 2018, respectively, were due from MetroWest Health Foundation.

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 2019 and 2018 were \$46,745 and \$49,234, respectively, and are included in contract revenue 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, 2019 or 2018, or the changes in its net assets for the years then ended.

7. INVESTMENTS

Investments are presented in the accompanying financial statements at fair value using Level 1 inputs (see page 8). MWLS's investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 12,491	\$ 237,963
Fixed income:		
Certificates of deposit	451,693	349,973
Corporate bonds	204,498	49,916
U.S. government obligations	<u>99,974</u>	<u>49,805</u>
Total fixed income	756,165	449,694
Equities:		
Equity mutual funds	<u>413,903</u>	<u>310,805</u>
	<u>\$ 1,182,559</u>	<u>\$ 998,462</u>

METROWEST LEGAL SERVICES, INC.Notes to Financial Statements
June 30, 2019 and 2018

7. INVESTMENTS (Continued)

The Organization's investment income for the years ended June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 26,338	\$ 110
Unrealized gains on investments	<u>8,382</u>	<u>644</u>
Investment income	<u>\$ 34,720</u>	<u>\$ 754</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. 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. Because the funds do not belong to MWLS, they are not included in the accompanying statements of financial position. The amount held in escrow was \$1,897 at June 30, 2019 and 2018.

9. 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.

10. 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 \$21,675 and \$19,453 for the years ended June 30, 2019 and 2018, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

MWLS's financial assets available within one year from the statement of financial position date for general operating expenses at June 30, 2019, are as follows:

Cash and cash equivalents	\$ 545,624
Accounts and grants receivable	<u>552,331</u>
	1,097,955
Less - net assets with purpose donor restrictions (see page 7)	(512,274)
Add - investments (see Note 7)	<u>1,182,559</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 1,768,240</u>

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2019 and 2018

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

MWLS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, MWLS has financial assets equal to approximately ten months 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.

12. RECLASSIFICATION

Certain amounts in the fiscal year 2018 financial statements have been reclassified to conform to the fiscal year 2019 presentation.

METROWEST LEGAL SERVICES, INC.

Supplementary Information - Statement of Activities and Changes in Net Assets Without Donor Restrictions
For the Year Ended June 30, 2019

	Without Donor Restrictions		
	Volunteer Lawyer Project	Other	Total Without Donor Restrictions
Operating Revenue and Support:			
Grants and contributions	\$ -	\$ 1,489,754	\$ 1,489,754
Contract revenue	46,745	526,782	573,527
Fundraising and special events	-	117,059	117,059
Investment income	-	34,720	34,720
Attorney fees	-	19,588	19,588
Interest and other income	-	2,565	2,565
Total operating revenue and support before donated goods and services	46,745	2,190,468	2,237,213
Donated goods and services	451,440	11,326	462,766
Total operating revenue and support	498,185	2,201,794	2,699,979
Operating Expenses:			
Salaries and related:			
Salaries - attorneys	30,385	921,389	951,774
Fringe benefits	2,386	264,731	267,117
Salaries - other	-	261,700	261,700
Payroll taxes	3,622	92,870	96,492
Total salaries and related before donated services	36,393	1,540,690	1,577,083
Donated services	451,440	-	451,440
Total salaries and related	487,833	1,540,690	2,028,523
Other:			
Contracted services	-	174,963	174,963
Occupancy	4,547	106,133	110,680
Equipment maintenance	-	36,253	36,253
Special events	-	27,922	27,922
Depreciation	-	26,154	26,154
Professional fees	-	24,721	24,721
Travel	121	21,305	21,426
Training	1,676	18,669	20,345
Postage and printing	284	14,958	15,242
Office supplies	1,735	12,496	14,231
Licenses, fees and membership dues	-	11,981	11,981
Books and subscriptions	600	11,015	11,615
Equipment leases	459	10,962	11,421
Insurance	600	9,173	9,773
Telephone	330	7,004	7,334
Program litigation fees	-	5,377	5,377
Miscellaneous	-	5,206	5,206
Client assistance funds	-	2,906	2,906
Total other	10,352	527,198	537,550
Total operating expenses	498,185	2,067,888	2,566,073
Changes in net assets without donor restrictions	-	133,906	133,906
Net Assets Without Donor Restrictions:			
Beginning of year	-	1,533,199	1,533,199
End of year	\$ -	\$ 1,667,105	\$ 1,667,105