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**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

METROWEST LEGAL SERVICES, INC.

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June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021

METROWEST LEGAL SERVICES, INC.

Statements of Financial Position
June 30, 2021 and 2020

Assets	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 680,087	\$ 471,653	\$ 1,151,740	\$ 565,567	\$ 397,066	\$ 962,633
Current portion of accounts receivable and grant receivables	391,070	109,792	500,862	121,066	175,188	296,254
Client escrow funds	231,821	-	231,821	222,223	-	222,223
Prepaid expenses	7,406	-	7,406	6,323	-	6,323
Total current assets	<u>1,310,384</u>	<u>581,445</u>	<u>1,891,829</u>	<u>915,179</u>	<u>572,254</u>	<u>1,487,433</u>
Other Assets:						
Accounts receivable and grant receivables, net of current portion	-	75,000	75,000	-	-	-
Investments	1,725,068	-	1,725,068	1,602,766	-	1,602,766
Security deposit	7,708	-	7,708	9,708	-	9,708
Furniture and equipment, net	-	-	-	6,972	-	6,972
Total other assets	<u>1,732,776</u>	<u>75,000</u>	<u>1,807,776</u>	<u>1,619,446</u>	<u>-</u>	<u>1,619,446</u>
Total assets	<u>\$ 3,043,160</u>	<u>\$ 656,445</u>	<u>\$ 3,699,605</u>	<u>\$ 2,534,625</u>	<u>\$ 572,254</u>	<u>\$ 3,106,879</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	\$ 54,837	\$ -	\$ 54,837	\$ 64,540	\$ -	\$ 64,540
Accrued expenses	176,103	-	176,103	120,365	-	120,365
Client escrow funds	231,821	-	231,821	222,223	-	222,223
Total current liabilities	<u>462,761</u>	<u>-</u>	<u>462,761</u>	<u>407,128</u>	<u>-</u>	<u>407,128</u>
Note Payable	-	-	-	308,542	-	308,542
Total liabilities	<u>462,761</u>	<u>-</u>	<u>462,761</u>	<u>715,670</u>	<u>-</u>	<u>715,670</u>
Net Assets:						
Without donor restrictions:						
Operating	855,331	-	855,331	209,217	-	209,217
Board designated:						
Contingency fund	231,833	-	231,833	189,237	-	189,237
Reserve fund	1,493,235	-	1,493,235	1,413,529	-	1,413,529
Furniture and equipment	-	-	-	6,972	-	6,972
Total without donor restrictions	<u>2,580,399</u>	<u>-</u>	<u>2,580,399</u>	<u>1,818,955</u>	<u>-</u>	<u>1,818,955</u>
With donor restrictions	-	656,445	656,445	-	572,254	572,254
Total net assets	<u>2,580,399</u>	<u>656,445</u>	<u>3,236,844</u>	<u>1,818,955</u>	<u>572,254</u>	<u>2,391,209</u>
Total liabilities and net assets	<u>\$ 3,043,160</u>	<u>\$ 656,445</u>	<u>\$ 3,699,605</u>	<u>\$ 2,534,625</u>	<u>\$ 572,254</u>	<u>\$ 3,106,879</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Grants and contributions	\$ 895,550	\$ 907,118	\$ 1,802,668	\$ 801,712	\$ 948,623	\$ 1,750,335
Government grants and contracts	1,256,779	-	1,256,779	594,948	-	594,948
Fundraising and special events	138,307	-	138,307	88,892	-	88,892
Investment income	114,421	-	114,421	26,153	-	26,153
Interest and other income	13,888	-	13,888	38,118	-	38,118
Net assets released from restrictions	822,927	(822,927)	-	899,476	(899,476)	-
Total operating revenue and support before donated goods and services	3,241,872	84,191	3,326,063	2,449,299	49,147	2,498,446
Donated goods and services	421,645	-	421,645	542,106	-	542,106
Total operating revenue and support	3,663,517	84,191	3,747,708	2,991,405	49,147	3,040,552
Operating Expenses:						
Program services	2,794,670	-	2,794,670	2,323,243	-	2,323,243
General and administrative	251,885	-	251,885	360,955	-	360,955
Development	164,060	-	164,060	155,357	-	155,357
Total operating expenses	3,210,615	-	3,210,615	2,839,555	-	2,839,555
Changes in net assets from operations	452,902	84,191	537,093	151,850	49,147	200,997
Non-Operating Revenues:						
Forgiveness of debt	308,542	-	308,542	-	-	-
Changes in net assets	761,444	84,191	845,635	151,850	49,147	200,997
Net Assets:						
Beginning of year	1,818,955	572,254	2,391,209	1,667,105	523,107	2,190,212
End of year	\$ 2,580,399	\$ 656,445	\$ 3,236,844	\$ 1,818,955	\$ 572,254	\$ 2,391,209

The accompanying notes are an integral part of these statements.

METROWEST LEGAL SERVICES, INC.Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 845,635	\$ 200,997
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,972	26,603
Unrealized (gains) losses on investments	(87,835)	6,309
Forgiveness of debt	(308,542)	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	(279,608)	256,077
Prepaid expenses	(1,083)	1,623
Accounts payable	(9,703)	35,217
Accrued expenses	55,738	10,157
Client escrow funds	9,598	220,326
	<u>231,172</u>	<u>757,309</u>
Cash Flows from Investing Activities:		
Purchase of investments	<u>(34,467)</u>	<u>(426,516)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	<u>-</u>	<u>308,542</u>
Net Change in Cash and Restricted Cash	196,705	639,335
Cash and Restricted Cash:		
Beginning of year	<u>1,194,564</u>	<u>555,229</u>
End of year	<u>\$ 1,391,269</u>	<u>\$ 1,194,564</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 1,151,740	\$ 962,633
Client escrow funds	231,821	222,223
Security deposit	<u>7,708</u>	<u>9,708</u>
Total cash and restricted cash	<u>\$ 1,391,269</u>	<u>\$ 1,194,564</u>

METROWEST LEGAL SERVICES, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021								2020	
	Program Services					Support Services			Total	Total
	Domestic Violence	Seniors	Immigration	Pro-Bono Involvement	Other Legal Programs *	Total Program Services	General and Administrative	Development		
Operating Expenses:										
Salaries and related:										
Salaries - attorneys	\$ 105,914	\$ 125,579	\$ 217,998	\$ 41,420	\$ 638,714	\$ 1,129,625	\$ 60,779	\$ 30,389	\$ 1,220,793	\$ 1,014,798
Salaries - other	-	-	16,335	16,754	264,575	297,664	84,183	67,214	449,061	308,133
Fringe benefits	25,551	40,506	56,790	7,801	181,391	312,039	30,852	10,830	353,721	315,338
Payroll taxes	8,085	9,543	18,237	4,497	71,247	111,609	10,977	7,509	130,095	96,158
Total salaries and related before donated services	139,550	175,628	309,360	70,472	1,155,927	1,850,937	186,791	115,942	2,153,670	1,734,427
Donated goods and services	-	-	-	414,975	-	414,975	-	6,670	421,645	536,792
Total salaries and related	139,550	175,628	309,360	485,447	1,155,927	2,265,912	186,791	122,612	2,575,315	2,271,219
Other:										
Contracted services	6,320	11,227	137,717	16,963	73,726	245,953	18,960	3,680	268,593	205,706
Occupancy	5,909	15,504	15,635	4,310	53,312	94,670	8,113	6,347	109,130	119,534
Equipment maintenance	-	401	1,352	427	61,689	63,869	798	5,409	70,076	55,878
Program litigation fees	1,272	281	-	-	29,786	31,339	-	-	31,339	6,498
Professional fees	-	-	-	-	-	-	26,870	-	26,870	24,958
Special events	-	-	-	-	284	284	-	22,615	22,899	11,095
Licenses, fees and membership dues	480	475	2,135	45	11,523	14,658	195	-	14,853	11,798
Postage and printing	46	370	6,655	80	4,277	11,428	732	1,771	13,931	12,022
Insurance	-	275	1,817	816	8,213	11,121	773	676	12,570	11,948
Training	549	-	4,123	585	5,721	10,978	509	189	11,676	15,543
Books and subscriptions	1,454	114	50	732	8,473	10,823	258	-	11,081	11,560
Office supplies	239	1,075	1,178	500	6,486	9,478	135	24	9,637	13,256
Equipment leases	-	743	1,300	75	6,287	8,405	592	518	9,515	12,036
Depreciation	-	-	-	-	-	-	6,972	-	6,972	26,603
Miscellaneous	-	95	770	-	5,734	6,599	-	-	6,599	6,548
Client assistance funds	-	-	1,693	-	1,991	3,684	-	-	3,684	2,382
Travel	285	1,208	356	-	1,227	3,076	-	55	3,131	16,088
Telephone	87	863	214	353	876	2,393	187	164	2,744	4,883
Total other	16,641	32,631	174,995	24,886	279,605	528,758	65,094	41,448	635,300	568,336
Total operating expenses	\$ 156,191	\$ 208,259	\$ 484,355	\$ 510,333	\$ 1,435,532	\$ 2,794,670	\$ 251,885	\$ 164,060	\$ 3,210,615	\$ 2,839,555

* 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, 2020

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

* 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, 2021 and 2020

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).

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, 2021 and 2020, consist of invoiced amounts and do not bear interest. Management establishes an allowance for doubtful accounts based on historical collections and other factors. No allowance was deemed necessary at June 30, 2021 and 2020. Unconditional promises to give are recorded at fair value at the date the promise is received. Unconditional promises to give that are expected to be received after one year are discounted at a risk-free interest rate and amortization of the discount, if any, is included in grants and contributions in the accompanying statements of activities and changes in net assets. There was no discount calculated at June 30, 2021 and 2020, as it was not deemed material to the financial statements. The long-term portion of accounts and grants receivable is expected to be collected in fiscal year 2023.

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, 2021 and 2020

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>2021</u>	<u>2020</u>
Purpose	\$ 567,813	\$ 555,587
Time	<u>88,632</u>	<u>16,667</u>
	<u>\$ 656,445</u>	<u>\$ 572,254</u>

Net assets released from restrictions for the years ended June 30, 2021 and 2020, were based on the satisfaction of the following restrictions:

	<u>2021</u>	<u>2020</u>
Purpose	\$ 672,087	\$ 799,959
Time	<u>150,840</u>	<u>99,517</u>
	<u>\$ 822,927</u>	<u>\$ 899,476</u>

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. MWLS records its corporate bond investments using quoted prices for identical or similar assets in non-active markets (Level 2 inputs).

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 and state 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 and government grants and contracts. These grants, contracts and contributions have been recorded in accordance with ASU Topic 958 (see page 10).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Government Grants and Contracts and Philanthropic Support (Continued)

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, 2021 and 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.

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, 2021 and 2020, as fees were collected, and the events were held in the same period.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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 with 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, 2021 and 2020, were \$2,474 and \$4,568, 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.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

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

	<u>2021</u>	<u>2020</u>
Services	\$ 414,975	\$ 536,792
Goods	<u>6,670</u>	<u>5,314</u>
	<u>\$ 421,645</u>	<u>\$ 542,106</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, 2021 and 2020. MWLS's information returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 22, 2021, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</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>191,094</u>	<u>184,122</u>
Net furniture and equipment	<u>\$ -</u>	<u>\$ 6,972</u>

4. LEASES

MWLS has a lease agreement for office space that expired on October 31, 2020, with monthly rental payments of \$7,863. During fiscal year 2021 this lease was extended until October 31, 2023, with monthly rental payments of \$7,900 through October 31, 2022, at which point the payments increased 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 \$94,550 and \$94,350 for the years ended June 30, 2021 and 2020, 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.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2021 and 2020

4. LEASES (Continued)

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

	<u>Office Space</u>	<u>Equipment</u>
2022	\$ 94,800	\$ 6,480
2023	97,960	6,480
2024	33,180	6,480
2025	<u>-</u>	<u>6,480</u>
	<u>\$ 225,940</u>	<u>\$ 25,920</u>

5. FUNDING

MLAC provides a significant portion of MWLS's total revenue (approximately 53% and 50% for the years ended June 30, 2021 and 2020, 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 2021 and 2020, MLAC awarded MWLS \$1,756,325 and \$1,241,071, 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 56% and 29% of MWLS's accounts and grants receivable at June 30, 2021 and 2020, respectively, were due from MLAC. Approximately 28% and 34% of accounts and grants receivable at June 30, 2021 and 2020, respectively, were due from MetroWest Health Foundation. Approximately 8% and 20% of accounts and grants receivable at June 30, 2021 and 2020, 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 2021 and 2020 were \$60,148 and \$42,850, respectively, 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, 2021 or 2020, or the changes in its net assets for the years then ended.

METROWEST LEGAL SERVICES, INC.Notes to Financial Statements
June 30, 2021 and 2020**7. INVESTMENTS**

The following table presents MWLS's investments, by level within the fair value hierarchy (see page 9), as of June 30:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 446,971	\$ -	\$ -	\$ 446,971
Fixed income:				
Certificates of deposit	100,778	-	-	100,778
Corporate bonds	-	586,844	-	586,844
Short term mutual funds	<u>190,016</u>	<u>-</u>	<u>-</u>	<u>190,016</u>
Total fixed income	290,794	586,844	-	877,638
Equities:				
Exchange traded products	<u>400,459</u>	<u>-</u>	<u>-</u>	<u>400,459</u>
Total	<u>\$ 1,138,224</u>	<u>\$ 586,844</u>	<u>\$ -</u>	<u>\$ 1,725,068</u>
	2020			
	<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
Short term mutual funds	178,526	-	-	178,526
U.S. government obligations	<u>60,381</u>	<u>-</u>	<u>-</u>	<u>60,381</u>
Total fixed income	390,876	354,474	-	745,350
Equities:				
Exchange traded products	<u>234,944</u>	<u>-</u>	<u>-</u>	<u>234,944</u>
Total	<u>\$ 1,248,292</u>	<u>\$ 354,474</u>	<u>\$ -</u>	<u>\$ 1,602,766</u>

MWLS's investment income for the years ended June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 87,835	\$ 32,462
Unrealized gains (losses) on investments	<u>26,586</u>	<u>(6,309)</u>
Investment income	<u>\$ 114,421</u>	<u>\$ 26,153</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.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2021 and 2020

8. NOTE PAYABLE

During fiscal year 2020, MWLS applied for and was awarded a forgivable loan of \$308,542 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds would have been forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds due over a two-year period with interest at 1%. Any repayment would have been deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that would have been forgiven. The balance of the note that is not forgiven (if any), plus interest, would have been due in equal monthly payments through the maturity date as defined by the bank. During fiscal year 2021, MWLS submitted the application for forgiveness and received formal forgiveness of the note thus being legally released from the obligation and is shown as forgiveness of debt in the accompanying fiscal year 2021 statement of activities and changes in net assets.

There were no covenants to comply with and the note was 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.

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 \$231,821 and \$222,223 at June 30, 2021 and 2020, respectively.

10. CONDITIONAL GRANTS

During fiscal years 2021 and 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 years ended June 30, 2021 and 2020, MWLS recognized \$1,256,779 and \$594,948, respectively, of these government grants and contributions. Conditional promises to give at June 30, 2021 and 2020, consist of cost reimbursable contracts totaling \$128,223 and \$285,748, respectively. MWLS is required to incur qualifying expenses in order to satisfy these conditions. MWLS expects to meet these conditions during fiscal year 2022, at which point the underlying revenue will be recognized.

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 \$52,691 and \$47,166 for the years ended June 30, 2021 and 2020, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

METROWEST LEGAL SERVICES, INC.

Notes to Financial Statements
June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash	\$ 1,151,740	\$ 962,633
Current portion of accounts and grants receivables	<u>500,862</u>	<u>296,254</u>
	1,652,602	1,258,887
Less - net assets with purpose donor restrictions (see page 8)	<u>(567,813)</u>	<u>(555,587)</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 1,084,789</u>	<u>\$ 703,300</u>

MWLS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021 and 2020, MWLS has financial assets equal to approximately five and four months of operating expenses (excluding donated goods and services and depreciation), respectively. 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 years 2021 and 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.

METROWEST LEGAL SERVICES, INC.

Supplementary Information - Statement of Activities and Changes in Net Assets Without Donor Restrictions
For the Year Ended June 30, 2021

	Without Donor Restrictions		
	Volunteer Lawyer Project	Other	Total Without Donor Restrictions
Operating Revenue and Support:			
Grants and contributions	\$ -	\$ 1,718,477	\$ 1,718,477
Government grants and contracts	60,148	1,196,631	1,256,779
Fundraising and special events	-	138,307	138,307
Investment income	-	114,421	114,421
Interest and other income	-	13,888	13,888
Total operating revenue and support before donated goods and services	<u>60,148</u>	<u>3,181,724</u>	<u>3,241,872</u>
Donated goods and services	414,975	6,670	421,645
Total operating revenue and support	<u>475,123</u>	<u>3,188,394</u>	<u>3,663,517</u>
Operating Expenses:			
Salaries and related:			
Salaries - attorneys	41,420	1,179,373	1,220,793
Salaries - other	-	449,061	449,061
Fringe benefits	5,518	348,203	353,721
Payroll taxes	3,193	126,902	130,095
Total salaries and related before donated services	<u>50,131</u>	<u>2,103,539</u>	<u>2,153,670</u>
Donated services	414,975	6,670	421,645
Total salaries and related	<u>465,106</u>	<u>2,110,209</u>	<u>2,575,315</u>
Other:			
Contracted services	2,337	266,256	268,593
Occupancy	4,310	104,820	109,130
Equipment maintenance	237	69,839	70,076
Program litigation fees	-	31,339	31,339
Professional fees	-	26,870	26,870
Special events	-	22,899	22,899
Licenses, fees and membership dues	45	14,808	14,853
Postage and printing	58	13,873	13,931
Insurance	816	11,754	12,570
Training	585	11,091	11,676
Books and subscriptions	732	10,349	11,081
Office supplies	469	9,168	9,637
Equipment leases	75	9,440	9,515
Depreciation	-	6,972	6,972
Miscellaneous	-	6,599	6,599
Client assistance funds	-	3,684	3,684
Travel	-	3,131	3,131
Telephone	353	2,391	2,744
Total other	<u>10,017</u>	<u>625,283</u>	<u>635,300</u>
Total operating expenses	<u>475,123</u>	<u>2,735,492</u>	<u>3,210,615</u>
Changes in net assets from operations	-	452,902	452,902
Non-Operating Revenues:			
Forgiveness of debt	-	308,542	308,542
Changes in net assets	-	761,444	761,444
Net Assets Without Donor Restrictions:			
Beginning of year	-	1,818,955	1,818,955
End of year	<u>\$ -</u>	<u>\$ 2,580,399</u>	<u>\$ 2,580,399</u>