

COMMUNITY LEGAL AID, INC. AND AFFILIATE

***CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND OTHER REPORTS***

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

AND

INDEPENDENT AUDITOR'S REPORT

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND OTHER REPORTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 20
Supplementary Information:	
Schedule 1 - Consolidated Schedules of Expenses	21
Schedule 2 - Consolidated Schedule of Unrestricted Activities and Changes in Unrestricted Net Assets from Operating Activities	22
Schedule 3 - Schedule of Revenue, Support, Expense and Changes in Net Assets for Legal Services Corporation Grants	23
Schedule 4 - Schedule of Private Attorney Involvement	24
Supplemental Schedule Pursuant to Uniform Guidance:	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Other Reports Pursuant to Uniform Guidance:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29 - 30
Schedule of Findings and Questioned Costs	31 - 32
Summary Schedule of Prior Audit Findings	33

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Legal Aid, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Legal Aid, Inc. and Affiliate (the "Organization") which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Legal Aid, Inc. and Affiliate as of September 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages twenty-two through twenty-five and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of Community Legal Aid, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Community Legal Aid, Inc. and Affiliate's internal control over financial reporting and compliance.

Ballus Lynch, LLP

Worcester, Massachusetts
February 13, 2020

COMMUNITY LEGAL AID, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

Assets	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 2,267,070	\$ 2,484,931
Cash in escrow - client deposits	1,666	11,000
Investments	3,060,321	2,507,493
Grants and contract support receivable	753,446	698,608
Accounts receivable - miscellaneous	9,320	11,215
Contributions receivable	50,673	50,099
Prepaid expenses	160,220	80,340
Beneficial interest in assets held by others	<u>32,189</u>	<u>31,472</u>
Total current assets	6,334,905	5,875,158
Property and equipment, net	292,671	271,920
Other assets		
Deposits	<u>38,092</u>	<u>27,207</u>
Total assets	<u>\$ 6,665,668</u>	<u>\$ 6,174,285</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 139,148	\$ 128,419
Client deposits	1,666	11,000
Accrued liabilities	617,334	544,736
Deferred revenue	<u>240,493</u>	<u>500,202</u>
Total current liabilities	998,641	1,184,357
Net assets		
Without donor restrictions		
Undesignated	4,278,330	3,768,407
Designated by the board for litigation	30,000	30,000
Invested in property and equipment	<u>292,671</u>	<u>271,920</u>
	4,601,001	4,070,327
With donor restrictions	<u>1,066,026</u>	<u>919,601</u>
Total net assets	5,667,027	4,989,928
Total liabilities and net assets	<u>\$ 6,665,668</u>	<u>\$ 6,174,285</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions			With	Total
	Unrestricted	Plant	Total	Donor Restrictions	
Operating activities					
Revenue					
Grants and contracts	\$ -	\$ -	\$ -	\$ 10,294,514	\$ 10,294,514
Interest and dividends	82,549	-	82,549	18,892	101,441
Donated services	578,575	-	578,575	-	578,575
Other revenue	427,374	-	427,374	12,506	439,880
Net assets released from restrictions					
Satisfaction of purpose restrictions	10,117,791	-	10,117,791	(10,117,791)	-
Total	11,206,289	-	11,206,289	208,121	11,414,410
Expenses					
Program services	9,487,218	36,799	9,524,017	-	9,524,017
Management and general	898,174	3,131	901,305	-	901,305
Fundraising	310,974	1,015	311,989	-	311,989
Total	10,696,366	40,945	10,737,311	-	10,737,311
Change in net assets from operating activities	509,923	(40,945)	468,978	208,121	677,099
Other changes in net assets					
Net assets released from restrictions					
Acquisition of property and equipment	-	61,696	61,696	(61,696)	-
Change in net assets	509,923	20,751	530,674	146,425	677,099
Net assets, beginning of year	3,798,407	271,920	4,070,327	919,601	4,989,928
Net assets, end of year	\$ 4,308,330	\$ 292,671	\$ 4,601,001	\$ 1,066,026	\$ 5,667,027

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions			With	Total
	Unrestricted	Plant	Total	Donor Restrictions	
Operating activities					
Revenue					
Grants and contracts	\$ -	\$ -	\$ -	\$ 9,571,278	\$ 9,571,278
Interest and dividends	62,037	-	62,037	10,915	72,952
Donated services	453,177	-	453,177	-	453,177
Other revenue	316,030	-	316,030	12,765	328,795
Net assets released from restrictions					
Satisfaction of purpose restrictions	9,199,631	-	9,199,631	(9,199,631)	-
Total	10,030,875	-	10,030,875	395,327	10,426,202
Expenses					
Program services	8,547,651	23,762	8,571,413	-	8,571,413
Management and general	932,583	2,779	935,362	-	935,362
Fundraising	172,574	-	172,574	-	172,574
Total	9,652,808	26,541	9,679,349	-	9,679,349
Change in net assets from operating activities	378,067	(26,541)	351,526	395,327	746,853
Other changes in net assets					
Net assets released from restrictions					
Acquisition of property and equipment	-	30,160	30,160	(30,160)	-
Receipt of beneficial interest in assets held by others	-	-	-	29,511	29,511
Change in net assets	378,067	3,619	381,686	394,678	776,364
Net assets, beginning of year	3,420,340	268,301	3,688,641	524,923	4,213,564
Net assets, end of year	\$ 3,798,407	\$ 271,920	\$ 4,070,327	\$ 919,601	\$ 4,989,928

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Management & General	Fundraising	Total
Personnel:				
Lawyers	\$ 3,934,739	\$ 190,798	\$ -	\$ 4,125,537
Lawyers - donated services	534,585	43,990	-	578,575
Paralegals	925,076	-	361	925,437
Support staff and other	887,536	387,429	168,798	1,443,763
	<u>6,281,936</u>	<u>622,217</u>	<u>169,159</u>	<u>7,073,312</u>
Total salaries				
Employee benefits and payroll taxes	1,745,605	166,530	34,616	1,946,751
	<u>8,027,541</u>	<u>788,747</u>	<u>203,775</u>	<u>9,020,063</u>
Total personnel				
Non-personnel:				
Occupancy	584,906	49,626	15,859	650,391
Supplies	118,787	10,019	3,227	132,033
Telecommunications	9,377	783	1,045	11,205
Professional fees	31,386	2,661	853	34,900
Postage and delivery	35,675	2,974	968	39,617
Printing and publications	3,376	1,879	19,885	25,140
Equipment rental and maintenance	49,686	4,227	1,351	55,264
Travel	139,833	12,993	18,277	171,103
Training	15,021	1,252	919	17,192
Library	38,977	3,288	1,059	43,324
Litigation	9,393	783	245	10,421
Membership dues	28,495	2,348	900	31,743
Insurance	37,446	3,131	1,017	41,594
Miscellaneous	80,208	7,201	14,916	102,325
Board expenses	3,465	313	95	3,873
Campaign expense	-	-	23,617	23,617
Special events	165	-	100	265
Contract services program	69,027	5,949	2,866	77,842
Contract services legislation	7,217	-	-	7,217
Contract services clients	55,531	-	-	55,531
Contract services grants	141,706	-	-	141,706
	<u>9,487,218</u>	<u>898,174</u>	<u>310,974</u>	<u>10,696,366</u>
Total expenses before depreciation				
Depreciation	36,799	3,131	1,015	40,945
	<u>9,524,017</u>	<u>901,305</u>	<u>311,989</u>	<u>10,737,311</u>
Total expenses				

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Management & General	Fundraising	Total
Personnel:				
Lawyers	\$ 3,535,922	\$ 192,519	\$ 1,894	\$ 3,730,335
Lawyers - donated services	405,933	47,244	-	453,177
Paralegals	939,993	-	68	940,061
Support staff and other	790,892	388,046	114,211	1,293,149
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries	5,672,740	627,809	116,173	6,416,722
Employee benefits and payroll taxes	1,530,686	169,525	24,048	1,724,259
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel	7,203,426	797,334	140,221	8,140,981
Non-personnel:				
Occupancy	540,084	63,364	61	603,509
Supplies	78,368	9,078	-	87,446
Telecommunications	8,330	1,112	782	10,224
Professional fees	30,480	3,520	-	34,000
Postage and delivery	29,464	3,335	-	32,799
Printing and publications	2,752	1,297	7,764	11,813
Equipment rental and maintenance	49,367	5,743	-	55,110
Travel	135,389	16,304	4,710	156,403
Training	18,366	2,223	1,478	22,067
Library	41,767	5,002	1,499	48,268
Litigation	6,994	741	-	7,735
Membership dues	27,247	3,150	615	31,012
Insurance	36,035	4,261	-	40,296
Miscellaneous	61,759	7,967	6,628	76,354
Board expenses	2,358	371	-	2,729
Campaign expense	-	-	6,343	6,343
Special events	-	-	1,694	1,694
Contract services program	66,266	7,781	779	74,826
Contract services legislation	4,274	-	-	4,274
Contract services clients	56,607	-	-	56,607
Contract services grants	148,318	-	-	148,318
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	8,547,651	932,583	172,574	9,652,808
Depreciation	23,762	2,779	-	26,541
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 8,571,413</u>	<u>\$ 935,362</u>	<u>\$ 172,574</u>	<u>\$ 9,679,349</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 677,099	\$ 776,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,945	26,541
Net realized gain on beneficial interest in assets held by others	(717)	(1,961)
Net gains on investments	(41,687)	(5,582)
Receipt of beneficial interest in assets held by others	-	(29,511)
(Increase) decrease in operating assets:		
Grants and contract support receivable	(54,838)	(290,385)
Accounts receivable - miscellaneous	1,895	(8,930)
Contributions receivable	(574)	(22,768)
Prepaid expenses	(79,880)	40,688
Deposits	(10,885)	(7,199)
Increase (decrease) in operating liabilities:		
Accounts payable	10,729	(41,174)
Accrued liabilities	72,598	73,108
Deferred revenue	(259,709)	(16,702)
	354,976	492,489
Net cash provided by operating activities		
Cash flows from investing activities:		
Acquisition of property and equipment	(61,696)	(30,160)
Proceeds from sales of investments	312,695	477,000
Net investment purchases	(823,836)	(772,364)
	(572,837)	(325,524)
Net cash used for investing activities		
Net (decrease) increase in cash	(217,861)	166,965
Cash and cash equivalents, beginning of year	2,484,931	2,317,966
Cash and cash equivalents, end of year	\$ 2,267,070	\$ 2,484,931

See accompanying independent auditor's report and notes to consolidated financial statements.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - ORGANIZATION

Community Legal Aid, Inc. (CLA) is a non-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to eligible individuals unable to afford legal assistance in the Central and Western areas of Massachusetts.

Central West Justice Center, PLLC (CWJC) is a single-member Massachusetts limited liability company formed in December, 2013, for the purpose of providing legal assistance in noncriminal proceedings or matters to eligible individuals in the Central and Western area of Massachusetts. CLA is the sole member of CWJC.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Principles of consolidation

The consolidated financial statements include Community Legal Aid, Inc. and Central West Justice Center, PLLC. Community Legal Aid, Inc. and Affiliate on a consolidated basis will be referred to as the "Organization". All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of CLA may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its beneficial interest in assets held by others held by a Community Foundation.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less, and all monies held in checking, savings and petty cash accounts, to be cash and cash equivalents. The Organization maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and contract support receivable

Grants and contract support receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value. Net gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income is recorded in unrestricted assets unless its use is temporarily or permanently restricted by explicit donor stipulations.

Property, plant and equipment

Furniture, equipment and leasehold improvements are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All leasehold improvements are capitalized. Furniture and equipment are capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

The furniture and equipment acquired with Massachusetts Legal Assistance Corporation, Legal Services Corporation and other grantors' funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, the funding sources have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of the assets purchased with their respective funds. No furniture and equipment has been acquired with Legal Services Corporation funds.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Contributions, gifts, grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-kind contributions

The Organization benefits from personal services provided by a substantial number of volunteers. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of \$578,575 and \$453,177 in 2019 and 2018, respectively, met those criteria and are included in donated services in the statement of activities. Those services were primarily services rendered by various attorneys at no charge to the Organization in connection with the Organization's legal assistance programs.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, office operations, travel, training, litigation, miscellaneous, contract services and depreciation that cannot be directly identified are allocated based on an estimate of time and level of effort spent on the organizations program and support functions.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Tax-exempt status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September, are:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,267,070	\$ 2,484,931
Accounts receivable, net	762,766	709,823
Investments	3,060,321	2,507,493
Contributions receivable, net	50,673	50,099
Beneficial interest in trust	<u>32,189</u>	<u>31,472</u>
Total financial assets	6,173,019	5,783,818
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	<u>1,066,026</u>	<u>919,601</u>
Amount available for general expenditures within one year	<u>\$ 5,106,993</u>	<u>\$ 4,864,217</u>

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3 - LIQUIDITY AND AVAILABILITY (Continued)

The Organization has a goal to maintain a balance of available net assets to meet 6 months of normal operating expenses, which are estimated for the coming year to average \$917,925 per month. The Organization has a policy to make its financial assets available as its general expenditures, liabilities, and other obligations come due.

In addition, as part of its liquidity management, the Organization deposits cash in excess of daily requirements in a local savings bank so all funds in excess of \$250,000 are fully insured. The Organization maintains a committed line of credit in the amount of \$200,000 to cover short-term cash needs.

4 - GRANT AND CONTRACT SUPPORT RECEIVABLE

Grant and contract support receivable at September 30:

	<u>2019</u>	<u>2018</u>
Grantor		
MLAC - Disability Benefits Project	\$ 62,035	\$ 62,035
MLAC - Medicare Advocacy Project	31,987	31,987
MLAC - Central Technology Grant	-	5,813
MLAC - Migrant Farmworker	18,750	12,500
MLAC - CLAVC	288,886	183,295
MLAC – Bart Gordon Fellowship	12,500	12,500
MLAC – Racial Justice Fellow	18,750	-
Baystate Health Care Alliance	20,654	-
Central Massachusetts Agency on Aging, Inc.	28,749	38,332
Greater Springfield Senior Services, Inc.	4,054	4,054
Hampden County Legal Clinic	-	1,042
Highland Valley Elder Services	5,156	5,156
LifePath, Inc.	-	4,226
Elder Services of Berkshire County	-	1,834
City of Fitchburg	2,060	-
City of Northampton	1,891	1,095
City of Pittsfield	4,500	2,700
Committee for Public Counsel Services	2,250	-
Executive Office of Public Safety and Security	-	7,095
New England Learning Center for Women in Transition	2,050	188
Massachusetts Bar Foundation	19,416	19,500
Metrowest Legal Services - SDV	18,665	17,870
Department of Health - SDV	18,400	26,921
U.S. Department of Housing and Urban Development	125,000	200,000
U.S. Department of Justice	54,103	46,875
WestMass ElderCare	3,340	3,340
Willamstown Community Chest	250	250
Worcester County Food Bank, Inc.	10,000	10,000
	<u>\$ 753,446</u>	<u>\$ 698,608</u>

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30:

	<u>2019</u>	<u>2018</u>
Contributor		
United Way of Northern Berkshire County	\$ 5,000	\$ 4,200
United Way of Hampshire County	37,500	37,500
United Way of Franklin County	<u>8,173</u>	<u>8,399</u>
	<u>\$ 50,673</u>	<u>\$ 50,099</u>

6 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	<u>\$ 3,060,321</u>	<u>\$ 2,507,493</u>

Investments are composed of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Investments, at fair value				
Mutual funds				
Equities	\$ 533,887	\$ 588,224	\$ 500,191	\$ 569,807
Fixed income	40,192	40,064	38,633	37,297
Exchange traded funds				
Equities	48,562	69,147	47,731	66,865
Fixed income	271,962	274,726	266,170	256,345
Certificates of deposit	<u>2,067,721</u>	<u>2,088,160</u>	<u>1,598,459</u>	<u>1,577,179</u>
	<u>\$ 2,962,324</u>	<u>\$ 3,060,321</u>	<u>\$ 2,451,184</u>	<u>\$ 2,507,493</u>

Net investment return was comprised of the following:

	<u>2019</u>	<u>2018</u>
Net investment gains	\$ 41,687	\$ 5,582
Dividends and interest	101,441	72,952
Expenses and fees	<u>(11,469)</u>	<u>(8,066)</u>
Net investment return	<u>\$ 131,659</u>	<u>\$ 70,468</u>

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	<u>Estimated Useful Lives</u>	<u>2019</u>	<u>2018</u>
Furniture and fixtures	3 - 7 years	\$ 425,834	\$ 408,787
Leasehold improvements	5 - 30 years	<u>648,649</u>	<u>613,133</u>
		1,074,483	1,021,920
Less: Accumulated depreciation		<u>781,812</u>	<u>750,000</u>
		<u>\$ 292,671</u>	<u>\$ 271,920</u>

Depreciation expense was \$40,945 and \$26,541 in 2019 and 2018, respectively.

8 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of a fund held by the Community Foundation of Western Massachusetts (CFWM). This fund encourages donations from individuals, organizations, estates and trusts. Although the Organization does not have control over, or legal ownership of, these funds, generally accepted accounting principles require that the beneficiary of such funds record an asset representing the fair value of the expected future receipts.

At the time of the gift, the Organization records donation revenue in the amount of the fair value of the assets transferred. Such revenue is classified consistent with any explicit donor restrictions. Subsequent changes to the fair value of the underlying assets are recorded as a component of net investment return. Losses on any interest classified as permanently restricted reduce temporarily restricted net assets to the extent that restrictions on previously accumulated appreciation have not been met. Any further losses are classified as unrestricted.

9 - NOTE PAYABLE, BANK

The Organization has a \$200,000 secured working capital line of credit with a bank, with interest charged at the Bank's base rate plus 1%. There were no outstanding balances against this line of credit as of September 30, 2019.

10 - LEASES

The Organization leases office space in Worcester, Springfield, Northampton, Pittsfield Fitchburg and Greenfield under operating leases that expire at various dates through December 2023. The Organization also leases space in North Adams under an annual lease and Milford and Holyoke as tenants at will. The Springfield lease provides for increasing base monthly rental payments throughout the term of the lease based upon the Consumer Price Index. The Organization also leases office equipment under operating leases expiring at various dates through March 2024.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10 - LEASES (Continued)

The minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of September 30, 2019 are as follows:

Year Ending	<u>Equipment</u>	<u>Real Estate</u>	<u>Total</u>
2020	\$ 28,787	\$ 558,119	\$ 586,906
2021	28,787	428,946	457,733
2022	28,636	156,848	185,484
2023	20,666	40,000	60,666
2024	228	10,000	10,228
	<u>\$ 107,104</u>	<u>\$ 1,193,913</u>	<u>\$ 1,301,017</u>

Rent expense for all operating leases charged to operations were \$624,710 and \$570,575 for the years ended September 30, 2019 and 2018, respectively.

11 - NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose restrictions, available for spending:		
Massachusetts Legal Assistance Corporation (MLAC)	\$ 879,530	\$ 726,584
Legal Services Corporation (LSC)	61,866	105,458
Other funders	<u>124,630</u>	<u>87,559</u>
Total net assets with donor restrictions	<u>\$ 1,066,026</u>	<u>\$ 919,601</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Massachusetts Legal Assistance Corporation (MLAC)	\$ 5,685,703	\$ 5,296,445
Legal Services Corporation (LSC)	1,768,311	1,583,983
Other funders	<u>2,663,777</u>	<u>2,319,203</u>
	<u>\$ 10,117,791</u>	<u>\$ 9,199,631</u>

12 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.
- recurring measurement of endowment and long-term investments.
- recurring measurement of beneficial interests in trusts.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended September 30, 2019 and 2018.

Mutual funds and exchange traded funds: Value using quoted market price in an active exchange market.

Certificates of deposits: Valued using broker quoted in non-active market.

Beneficial interest in assets held by others: Valued at original deposits plus allocated income as calculated and reported by CFWM. The Organization has evaluated the valuation policies of CFWM and the reported values of its holdings as of the balance sheet date and believes that the reported value is reasonable and reflects the value at which the Organization can redeem its holdings. Classification within the fair value hierarchy is based on the existence of restrictions on the Organization ability to access its holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as follows:

	September 30, 2019			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual funds				
Equities	\$ 588,224	\$ -	\$ -	\$ 588,224
Fixed income	40,064	-	-	40,064
Exchange traded funds				
Equities	69,147	-	-	69,147
Fixed income	274,726	-	-	274,726
Certificates of deposit	-	2,088,160	-	2,088,160
Total investments at fair value	<u>\$ 972,161</u>	<u>\$ 2,088,160</u>	<u>\$ -</u>	<u>\$ 3,060,321</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,189</u>	<u>\$ 32,189</u>
	September 30, 2018			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual funds				
Equities	\$ 569,807	\$ -	\$ -	\$ 569,807
Fixed income	37,297	-	-	37,297
Exchange traded funds				
Equities	66,865	-	-	66,865
Fixed income	256,345	-	-	256,345
Certificates of deposit	-	1,577,179	-	1,577,179
Total investments at fair value	<u>\$ 930,314</u>	<u>\$ 1,577,179</u>	<u>\$ -</u>	<u>\$ 2,507,493</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,472</u>	<u>\$ 31,472</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The Organization does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

A reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) follows:

Beginning balance	\$ 31,472
Total realized investment gain	<u>717</u>
Ending Balance	<u>\$ 32,189</u>

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13 - CONCENTRATIONS OF RISK

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

The Organization recognizes funding from the following major sources at September 30:

	2019		2018	
	% of Total Revenue	% of Total Accounts Receivable	% of Total Revenue	% of Total Accounts Receivable
MLAC	49%	17%	48%	18%
Victims of Crime	6%	38%	6%	26%
Legal Services Corporation	15%	-	16%	-

14 - OTHER REVENUE

Other revenue consists of the following:

	2019	2018
Attorney fees	\$ 181,056	\$ 97,983
Donations	171,053	165,617
Other	10,884	11,293
Gains on investments	41,687	5,582
Western New England University Agreement	35,200	48,320
Total	<u>\$ 439,880</u>	<u>\$ 328,795</u>

15 - RETIREMENT PLAN

The Organization maintains a 401(k) plan available to all employees meeting basic eligibility requirements. In general, contributions to this 401(k) plan are made by the employees and the Organization. The Organization's contributions to the plan amounted to \$306,373 and \$275,555 in 2019 and 2018, respectively, and are included in employee benefits and taxes.

16 - INCOME TAXES

The Organization is subject to unrelated business income tax (UBIT) on employee parking as of January 1, 2018. A tax of \$26,447 and \$10,500 was paid during 2019 and 2018 respectively and is reported in the Statement of Functional Expenses. On December 20, 2019 the tax on employee parking was retroactively repealed.

The Organization 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 consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at September 30, 2019 or 2018.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16 - INCOME TAXES (Continued)

The Organization is no longer subject to income tax examinations by the U.S. federal, and state tax authorities for the fiscal years before 2016.

17 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information are as follows:

	<u>2019</u>	<u>2018</u>
Cash paid during the year for:		
Income taxes	\$ 26,447	\$ 10,500

18 - MASSACHUSETTS LEGAL ASSISTANCE CORPORATION (MLAC) AND LEGAL SERVICES CORPORATION (LSC) FUNDING

If funding is terminated before the expected expiration date, or if the Organization ceases to receive funds from MLAC or LSC after the expiration of this funding period, the Organization gives assurance that it will follow MLAC's and LSC's directions with respect to the use or disposition of fund balances, records, and any equipment, supplies, or property purchased with MLAC or LSC funds.

19 - UNION CONTRACT

The non-management employees of the Organization are unionized in a collective bargaining unit. The contract was negotiated and renewed for a four year term beginning June 1, 2015 through May 31, 2019. In May 2018 that contract was extended to June 1, 2020.

20 - PRIVATE ATTORNEY INVOLVEMENT

LSC requires the Organization to expend an amount equal to at least twelve and one-half percent of the Organization's annual basic field award from LSC on the involvement of private attorneys in delivery of legal services.

For 2019 the basic grant award was \$1,584,869. The minimum required Private Attorney Involvement (PAI) expenditures of \$198,109 was exceeded. The actual expenditures for PAI was \$364,925.

21 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 presentation, with no effect on the change in net assets.

22 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SUPPLEMENTARY INFORMATION

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED SCHEDULES OF EXPENSES

YEAR ENDED SEPTEMBER 30, 2019
(With Summarized Comparative Information for 2018)

	Community Legal Aid, Inc.	Central West Justice Center, PLLC	2019	2018
Personnel:				
Lawyers	\$ 2,859,644	\$ 1,265,893	\$ 4,125,537	\$ 3,730,335
Lawyers - donated services	578,575	-	578,575	453,177
Paralegals	817,155	108,282	925,437	940,061
Support staff and other	1,082,531	361,232	1,443,763	1,293,149
	<u>5,337,905</u>	<u>1,735,407</u>	<u>7,073,312</u>	<u>6,416,722</u>
Total salaries				
Employee benefits and payroll taxes	1,374,749	572,002	1,946,751	1,724,259
	<u>6,712,654</u>	<u>2,307,409</u>	<u>9,020,063</u>	<u>8,140,981</u>
Total personnel				
Non-personnel:				
Occupancy	478,298	172,093	650,391	603,509
Supplies	104,457	27,576	132,033	87,446
Telecommunications	7,841	3,364	11,205	10,224
Professional fees	24,907	9,993	34,900	34,000
Postage and delivery	24,838	14,779	39,617	32,799
Printing and publications	24,007	1,133	25,140	11,813
Equipment rental and maintenance	44,774	10,490	55,264	55,110
Travel	116,757	54,346	171,103	156,403
Training	11,141	6,051	17,192	22,067
Library	32,565	10,759	43,324	48,268
Litigation	4,628	5,793	10,421	7,735
Membership dues	22,419	9,324	31,743	31,012
Insurance	28,210	13,384	41,594	40,296
Miscellaneous	85,770	16,555	102,325	76,354
Board expenses	3,873	-	3,873	2,729
Campaign expense	23,617	-	23,617	6,343
Special events	265	-	265	1,694
Contract services program	59,647	18,195	77,842	74,826
Contract services legislation	5,038	2,179	7,217	4,274
Contract services clients	29,711	25,820	55,531	56,607
Contract services grants	141,706	-	141,706	148,318
	<u>7,987,123</u>	<u>2,709,243</u>	<u>10,696,366</u>	<u>9,652,808</u>
Total expenses before depreciation				
Depreciation	29,390	11,555	40,945	26,541
	<u>\$ 8,016,513</u>	<u>\$ 2,720,798</u>	<u>\$ 10,737,311</u>	<u>\$ 9,679,349</u>
Total expenses				

See accompanying independent auditor's report.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED SCHEDULE OF UNRESTRICTED ACTIVITIES AND CHANGES
IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

	Community Legal Aid, Inc.		Central West Justice Center, PLLC	Total Unrestricted
	Operating	LSC	Operating	
Operating activities				
Revenue				
Donated services	\$ -	\$ 578,575	\$ -	\$ 578,575
Interest and dividends	82,549	-	-	82,549
Other revenue	427,374	-	-	427,374
Net assets released from restrictions	5,628,682	1,768,311	2,720,798	10,117,791
Total	6,138,605	2,346,886	2,720,798	11,206,289
Expenses				
Personnel				
Lawyers	2,317,011	542,633	1,265,893	4,125,537
Lawyers - donated services	-	578,575	-	578,575
Paralegals	400,325	416,830	108,282	925,437
Support staff and other	1,009,142	73,389	361,232	1,443,763
Employee benefits and payroll taxes	1,099,280	275,469	572,002	1,946,751
Total	4,825,758	1,886,896	2,307,409	9,020,063
Non-personnel				
Occupancy	478,298	-	172,093	650,391
Supplies	104,457	-	27,576	132,033
Telecommunications	7,841	-	3,364	11,205
Professional fees	24,907	-	9,993	34,900
Postage and delivery	24,838	-	14,779	39,617
Printing and publications	23,621	386	1,133	25,140
Equipment rental and maintenance	44,774	-	10,490	55,264
Travel	112,020	4,737	54,346	171,103
Training	9,866	1,275	6,051	17,192
Library	32,565	-	10,759	43,324
Litigation	4,628	-	5,793	10,421
Membership dues	22,419	-	9,324	31,743
Insurance	28,210	-	13,384	41,594
Miscellaneous	81,097	4,673	16,555	102,325
Board expenses	3,873	-	-	3,873
Campaign expense	23,617	-	-	23,617
Special events	265	-	-	265
Contract services program	59,647	-	18,195	77,842
Contract services legislation	5,038	-	2,179	7,217
Contract services clients	29,711	-	25,820	55,531
Contract services grants	95,406	46,300	-	141,706
Depreciation	29,390	-	11,555	40,945
Indirect costs	(402,619)	402,619	-	-
Total	5,669,627	2,346,886	2,720,798	10,737,311
Change in unrestricted net assets from operating activities	\$ 468,978	\$ -	\$ -	\$ 468,978

See accompanying independent auditor's report.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

SCHEDULE OF REVENUE, SUPPORT, EXPENSE AND CHANGES IN NET
ASSETS FOR LEGAL SERVICES CORPORATION GRANTS

YEAR ENDED SEPTEMBER 30, 2019

	Basic Field Grant	Technology Initiative Grant	Pro Bono Innovation Fund Grant	Donated Services	Total
Operating activities					
Revenue					
Grants	\$ 1,584,869	\$ 35,555	\$ 77,719	\$ -	1,698,143
Donated services	-	-	-	578,575	578,575
Interest and dividends	18,892	-	-	-	18,892
Other revenue	7,684	-	-	-	7,684
Total	1,611,445	35,555	77,719	578,575	2,303,294
Expenses					
Personnel					
Lawyers	499,642	7,185	35,806	-	542,633
Lawyers - donated services	-	-	-	578,575	578,575
Paralegals	405,747	-	11,083	-	416,830
Support staff and other	73,389	-	-	-	73,389
Employee benefits and payroll taxes	263,648	2,070	9,751	-	275,469
Total	1,242,426	9,255	56,640	578,575	1,886,896
Non-personnel					
Miscellaneous	4,149	-	524	-	4,673
Printing and publications	386	-	-	-	386
Training	-	-	1,275	-	1,275
Travel	-	-	4,737	-	4,737
Contract services grants	-	26,300	20,000	-	46,300
Indirect costs	402,619	-	-	-	402,619
Total	1,649,580	35,555	83,176	578,575	2,346,886
Change in net assets from operating activities	(38,135)	-	(5,457)	-	(43,592)
Net assets, beginning of year	138,859	-	(33,401)	-	105,458
Net assets, end of year	\$ 100,724	\$ -	\$ (38,858)	\$ -	\$ 61,866

See accompanying independent auditor's report.

COMMUNITY LEGAL AID, INC. AND AFFILIATE
SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT
YEAR ENDED SEPTEMBER 30, 2019

Personnel	
Lawyers	\$ 6,868
Paralegals	208,353
Support staff and other	756
Employee benefits and payroll taxes	<u>57,156</u>
Total personnel	273,133
Non-personnel	
Miscellaneous	4,149
Printing	386
Indirect costs	<u>87,257</u>
Total expense	<u>\$ 364,925</u>

See accompanying independent auditor's report.

SUPPLEMENTAL SCHEDULE PURSUANT
TO UNIFORM GUIDANCE

COMMUNITY LEGAL AID, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Legal Services Corporation				
Direct Programs:				
Basic Field Grants	09.122107	N/A	\$ -	\$ 1,618,854
Technology Initiative Grant		N/A	-	35,555
Pro Bono Innovation Fund		N/A	-	<u>77,719</u>
				<u>1,732,128</u>
Department of Health and Human Services				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B - Grants for Grants for Supportive Services and Senior Centers:	93.044			
Passed-Through Central Massachusetts Agency on Aging, Inc.		N/A	-	115,000
Passed-Through Elder Services of Berkshire County, Inc.		N/A	-	18,103
Passed-Through LifePath, Inc.		N/A	-	24,750
Passed-Through Greater Springfield Senior Services, Inc.		N/A	-	48,649
Passed-Through Highland Valley Elder Services, Inc.		N/A	-	30,934
Passed-Through WestMass Eldercare, Inc.		N/A	-	<u>20,000</u>
Total Aging Cluster				<u>257,436</u>
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			
Passed-Through Volunteer Lawyers Project of the Boston Bar Association, Inc.		N/A	-	<u>19,173</u>
Department of Housing and Urban Development				
Direct Programs:				
Private Enforcement Initiatives	14.418	N/A	25,341	<u>289,423</u>
CDBG Entitlement Grant Cluster:				
Community Development Block Grants/Entitlement Grants	14.218			
Passed-Through City of Northampton		N/A	-	8,296
Passed-Through City of Pittsfield		N/A	-	19,800
Passed-Through City of Fitchburg		N/A	-	<u>2,060</u>
Total CDBG Entitlement Grant Cluster				<u>30,156</u>
Department of Justice				
Direct Programs:				
Legal Assistance for Victims	16.524	N/A	64,586	<u>194,580</u>
Crime Victim Assistance	16.575			
Passed-Through Massachusetts Legal Assistance Corporation		N/A	-	930,622
Passed-Through New England Learning Center For Women in Transition, Inc		N/A	-	<u>12,250</u>
				<u>942,872</u>
Total Expenditures of Federal Awards			<u>\$ 89,927</u>	<u>\$ 3,465,768</u>

See accompanying independent auditor's report and notes to schedule.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Community Legal Aid, Inc. and Affiliate (the “Organization”) under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect cost rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Major program determination

The Organization considers programs with expenditures that exceed \$750,000 to be Type A programs. Type A programs with expenditures that, in the aggregate, encompass at least twenty percent of total federal awards are designated as major programs. Smaller programs are designated as Type B programs. Type A programs assessed as “low risk” that have been audited as a major program within the last two years with no audit findings are not designated as major programs, provided the Organization has Type B programs that have federal expenditures exceeding twenty percent of total expenditures. Accordingly, certain Type B programs may be identified as major programs.

OTHER REPORTS PURSUANT TO
UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Community Legal Aid, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Community Legal Aid, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 13, 2020

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Purpose of this Report

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

Ballus Lynch, LLP

Worcester Massachusetts
February 13, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Community Legal Aid, Inc. and Affiliate

Report on Compliance for each Major Federal Program

We have audited Community Legal Aid, Inc. and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Appendix A: Compliance Supplement for Audits for LSC Recipients from Legal Services Corporation Audit Guide for Recipients and Auditors that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Ballus Lynch, LLP

Worcester, Massachusetts
February 13, 2020

COMMUNITY LEGAL AID, INC. AND AFFILIATE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
09.122107	Basic Field Grants, Technology Initiative Grant, Pro Bono Innovation Fund

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

Auditee qualified as low-risk auditee? Yes No

COMMUNITY LEGAL AID, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019
(Continued)

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

As disclosed in Section I, the audit of the basic financial statements of Community Legal Aid, Inc. and Affiliate as of and for the year ended September 30, 2019 disclosed no matters involving the internal control over financial reporting and its operations that are considered to be material weaknesses.

B. Compliance Findings

As disclosed in Section I, the audit disclosed no instances of noncompliance which are material to the consolidated financial statements of Community Legal Aid, Inc. and Affiliate as of and for the year ended September 30, 2019.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

No findings noted as of September 30, 2019.

B. Compliance Findings

No findings noted as of September 30, 2019.

COMMUNITY LEGAL AID, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2019

The single audit for the year ended September 30, 2018 disclosed no findings in the Schedule of Findings and Questions Costs, and no uncorrected or unresolved findings exist from prior audit's Summary of Prior Audit Findings.