

**COMMUNITY LEGAL AID, INC. AND AFFILIATE**

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

***YEAR ENDED SEPTEMBER 30, 2023***

***AND***

***INDEPENDENT AUDITOR'S REPORT***

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND OTHER REPORTS

YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community Legal Aid, Inc. and Affiliate

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited 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, 2023, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As disclosed in Note 3 to the financial statements, the Organization adopted the provisions of ASU 2016-02 - Leases. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 through 20 and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations 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 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 the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 January 29, 2024, on our consideration of the Organization'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 *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ballus Lynch, LLP*

Worcester, Massachusetts  
January 29, 2024

COMMUNITY LEGAL AID, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023  
(With Summarized Comparative Information for 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 10,268,327	\$ 7,286,416
Cash in escrow - client deposits	1,400	82,466
Investments	3,404,816	2,555,113
Grants and contributions receivable	626,619	1,319,670
Accounts receivable - miscellaneous	18,152	10,542
Prepaid expenses	249,923	165,215
Total current assets	14,569,237	11,419,422
Property and equipment, net	106,204	121,924
Right-of-use assets for operating leases, net	3,599,302	-
Deposits	175,533	144,097
Beneficial interest in assets held by others	40,336	38,242
	\$ 18,490,612	\$ 11,723,685
Liabilities and Net Assets		
Current liabilities		
Current portion of operating lease liabilities	\$ 324,923	\$ -
Accounts payable	484,337	461,902
Client deposits	1,400	82,466
Accrued liabilities	1,173,382	1,028,700
Deferred revenue	718,669	492,127
Total current liabilities	2,702,711	2,065,195
Operating lease liabilities, net of current portion	3,310,155	-
Net assets		
Without donor restrictions		
Undesignated	12,320,478	9,503,316
Designated by the board for litigation	30,000	30,000
	12,350,478	9,533,316
With donor restrictions	127,268	125,174
Total net assets	12,477,746	9,658,490
	\$ 18,490,612	\$ 11,723,685

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, 2023  
(With Summarized Comparative Information for 2022)

	Without	With	Totals	
	Donor Restrictions	Donor Restrictions	2023	2022
Operating activities				
Revenue				
Grants and contracts	\$ 18,981,038	\$ -	\$ 18,981,038	\$ 15,609,331
Contributions of cash and other financial assets	254,896	-	254,896	286,744
Contributions of nonfinancial assets	443,914	-	443,914	386,393
Net investment return	462,138	30,506	492,644	(330,127)
Change in beneficial interest in assets held by others	-	2,094	2,094	(4,628)
Loss on disposal of property and equipment	-	-	-	(161,751)
Other revenue	309,706	4,196	313,902	121,651
Net assets released from restrictions				
Satisfaction of purpose restrictions	34,702	(34,702)	-	-
Total	20,486,394	2,094	20,488,488	15,907,613
Expenses				
Program services	15,485,808	-	15,485,808	13,472,277
Management and general	1,693,436	-	1,693,436	1,448,707
Fundraising	489,988	-	489,988	463,445
Total	17,669,232	-	17,669,232	15,384,429
Change in net assets	2,817,162	2,094	2,819,256	523,184
Net assets, beginning of year	9,533,316	125,174	9,658,490	9,135,306
Net assets, end of year	\$ 12,350,478	\$ 127,268	\$ 12,477,746	\$ 9,658,490

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

COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023  
(With Summarized Comparative Information for 2022)

	Program Services	Management and General	Fundraising	Totals	
				2023	2022
Personnel:					
Lawyers	\$ 6,708,622	\$ 240,615	\$ -	\$ 6,949,237	\$ 6,034,297
Lawyers - donated services	404,071	39,843	-	443,914	386,393
Paralegals	1,575,322	-	-	1,575,322	1,478,097
Support staff and other	1,127,279	873,478	259,906	2,260,663	2,064,632
Total salaries	9,815,294	1,153,936	259,906	11,229,136	9,963,419
Employee benefits and payroll taxes	2,863,842	304,816	66,732	3,235,390	2,822,481
Total personnel	12,679,136	1,458,752	326,638	14,464,526	12,785,900
Non-personnel:					
Occupancy	987,172	99,608	22,381	1,109,161	847,171
Supplies	64,445	6,419	1,458	72,322	109,459
Telecommunications	19,113	2,878	11,090	33,081	24,649
Professional fees	-	58,710	-	58,710	55,150
Postage and delivery	33,159	3,320	751	37,230	44,567
Printing and publications	16,050	3,542	19,705	39,297	31,669
Equipment rental and maintenance	53,006	5,312	1,200	59,518	86,132
Travel	100,998	11,068	12,291	124,357	76,161
Training	8,175	885	246	9,306	12,302
Library	54,621	5,534	2,662	62,817	45,762
Litigation	9,378	885	211	10,474	10,385
Membership dues	48,107	4,870	1,540	54,517	48,823
Insurance	69,747	7,083	1,581	78,411	68,310
Advertising	-	-	55,919	55,919	20,439
Miscellaneous	119,723	12,617	9,429	141,769	99,198
Board expenses	4,009	443	92	4,544	2,855
Campaign expense	-	-	15,943	15,943	12,514
Contract services program	89,937	9,518	6,423	105,878	93,279
Contract services legislation	9,586	-	-	9,586	-
Contract services clients	98,168	-	-	98,168	116,956
Contract services grants	1,002,478	-	-	1,002,478	753,948
Total expenses before depreciation	15,467,008	1,691,444	489,560	17,648,012	15,345,629
Depreciation	18,800	1,992	428	21,220	38,800
Total expenses	\$ 15,485,808	\$ 1,693,436	\$ 489,988	\$ 17,669,232	\$ 15,384,429

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



COMMUNITY LEGAL AID, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2023  
(With Summarized Comparative Information for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,819,256	\$ 523,184
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,220	38,800
Amortization of right-of-use assets for operating leases	357,113	-
Loss on disposal of property and equipment	-	161,751
Change in beneficial interest in assets held by others	(2,094)	4,628
Net (gains) losses on investments	(176,551)	448,390
Donated investments	-	(5,287)
(Increase) decrease in operating assets:		
Grants and contributions receivable	693,051	118,031
Accounts receivable - miscellaneous	(7,610)	477
Prepaid expenses	(84,708)	(39,718)
Deposits	(31,436)	(36,598)
Increase (decrease) in operating liabilities:		
Operating lease liabilities	(321,337)	-
Accounts payable	22,435	353,346
Client deposits	(81,066)	57,072
Accrued liabilities	144,682	93,087
Deferred revenue	226,542	(8,741)
Net cash provided by operating activities	<u>3,579,497</u>	<u>1,708,422</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(5,500)	(73,746)
Proceeds from sales of investments	2,915,985	752,697
Purchases of investments	<u>(3,589,137)</u>	<u>(433,493)</u>
Net cash provided by (used in) investing activities	<u>(678,652)</u>	<u>245,458</u>
Net increase in cash and cash equivalents	2,900,845	1,953,880
Cash and cash equivalents, beginning of year	<u>7,368,882</u>	<u>5,415,002</u>
Cash and cash equivalents, end of year	<u>\$ 10,269,727</u>	<u>\$ 7,368,882</u>

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.

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.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

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.

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.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

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 receivable

Grants 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 collectability 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, except for certificates of deposits reported at amortized cost. Purchases and sales of investments are reported on the trade date. Net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Property and equipment

Property and equipment 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 \$5,000 or more and a useful life when acquired of more than one 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 property 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 property and equipment has been acquired with Legal Services Corporation funds.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

The Organization made an accounting policy election available under ASC Topic 842, Leases, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of ASC Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

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 contribution 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 change in beneficial interest in assets held by others on the statement of activities, classified consistent with donor restrictions.

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 of cash and other financial assets

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.

Contributions of nonfinancial assets

The Organization receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

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 \$443,914 and \$386,393 in 2023 and 2022, 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 Organization's program and support functions.

Management periodically evaluates the basis on which costs are allocated.

Management and general 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. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was \$55,919 and \$20,439 in 2023 and 2022, respectively.

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 - ADOPTION OF ACCOUNTING PRINCIPLE

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. ASC Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in ASC Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted ASC Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied ASC Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3 - ADOPTION OF ACCOUNTING PRINCIPLE (Continued)

The Organization elected the “package of practical expedients” under the transition guidance within ASC Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC Topic 842 on October 1, 2022.

Adoption of ASC Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of \$3,956,415 at October 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

4 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2023 and 2022, are:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 10,268,327	\$ 7,286,416
Grants and contributions receivable	626,619	1,319,670
Accounts receivable - miscellaneous	18,152	10,542
Investments	3,404,816	2,555,113
Beneficial interest in assets held by others	<u>40,336</u>	<u>38,242</u>
Total financial assets	14,358,250	11,209,983
Less: Financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	86,932	86,932
Time restricted net assets	<u>40,336</u>	<u>38,242</u>
Amount available for general expenditures within one year	<u>\$ 14,230,982</u>	<u>\$ 11,084,809</u>

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 \$1,428,000 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 substantially all funds in excess of \$250,000 are fully insured. The Organization maintains a committed line of credit in the amount of \$400,000 to cover short-term cash needs.

5 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2023</u>	<u>2022</u>
Without donor restrictions	<u>\$ 3,404,816</u>	<u>\$ 2,555,113</u>

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS (Continued)

Investments are composed of the following:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments, at fair value				
Common stock	\$ 5,287	\$ 5,368	\$ 5,287	\$ 3,959
Mutual funds				
Equities	948,153	1,075,483	1,014,828	988,348
Fixed income	491,779	423,746	376,438	316,924
Exchange traded funds				
Equities	58,207	112,855	57,419	93,581
Fixed income	311,736	281,251	305,992	277,017
	<u>1,815,162</u>	<u>1,898,703</u>	<u>1,759,964</u>	<u>1,679,829</u>
Investments, at amortized cost				
Certificates of deposit	<u>1,523,257</u>	<u>1,506,113</u>	<u>914,204</u>	<u>875,284</u>
	<u>\$ 3,338,419</u>	<u>\$ 3,404,816</u>	<u>\$ 2,674,168</u>	<u>\$ 2,555,113</u>

Net investment return was comprised of the following:

	2023	2022
Net investment gains (losses)	\$ 176,551	\$ (448,390)
Dividends and interest	338,945	142,537
Expenses and fees	<u>(22,852)</u>	<u>(24,274)</u>
Net investment return	<u>\$ 492,644</u>	<u>\$ (330,127)</u>

6 - PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2023	2022
Furniture and fixtures	3 - 7 years	\$ 459,823	\$ 461,327
Leasehold improvements	5 - 30 years	<u>447,069</u>	<u>441,570</u>
		906,892	902,897
Less: Accumulated depreciation		<u>800,688</u>	<u>780,973</u>
		<u>\$ 106,204</u>	<u>\$ 121,924</u>

Depreciation expense was \$21,220 and \$38,800 in 2023 and 2022, respectively.

7 - NOTE PAYABLE, BANK

The Organization has a \$400,000 working capital line of credit with a bank, secured by all assets of the Organization. The agreement bears interest at the prime rate (8.50% at September 30, 2023). There were no outstanding balances against this line of credit as of September 30, 2023 and 2022.



COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8 - LEASES

The Organization leases office space in Worcester through operating lease agreements with initial terms of approximately 10 years. The Organization also occupies space in Springfield, Northampton, Pittsfield, Fitchburg, Greenfield, North Adams, Milford and Holyoke under leases that qualify for the short-term lease exemption. The Worcester lease includes an option to renew which is not included in the lease term and is not reflected in the right of use asset or lease liability, as the Organization is not currently able to determine whether it is reasonably certain the option will be exercised. The Organization's operating leases do not generally contain any material restrictive covenants or residual value guarantees.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in occupancy expense on the statement of functional expenses. The components of lease expense are as follows for the year ended September 30, 2023:

Operating lease cost	\$ 666,042
Short-term lease cost	<u>279,024</u>
Total operating lease cost	<u>\$ 945,066</u>

Total rent expense for operating leases was \$772,169 for the year ended September 30, 2022.

Supplemental statement of financial position information related to leases is as follows as of September 30, 2023:

Real estate	\$ 3,956,415
Less: Accumulated amortization	<u>(357,113)</u>
Right-of-use assets for operating leases, net	<u>\$ 3,599,302</u>
Weighted-average remaining lease term	8.75 years
Weighted-average discount rate	3.67%

Future undiscounted cash flows and a reconciliation to the operating lease liabilities recognized on the statement of financial position are as follows as of September 30, 2023:

2024	\$ 452,920
2025	456,976
2026	467,792
2027	478,608
2028	489,424
Thereafter	<u>1,930,647</u>
Total lease payments	4,276,367
Less: Imputed interest	<u>(641,289)</u>
Total present value of lease liabilities	<u>\$ 3,635,078</u>

Supplemental cash flow information related to leases is as follows for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash outflows - payments on operating leases	\$ 909,290
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In October 2023, the Organization entered into two operating lease agreements for its office space in Springfield with initial terms of 10 years and total annual payments of approximately \$470,000. These lease agreements are not included in the measurement of right-of-use assets for operating leases or operating lease liabilities as of September 30, 2023.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9 - NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Purpose restrictions, available for spending		
Other funders	\$ 86,932	\$ 86,932
Time restrictions		
Beneficial interest in assets held by others	<u>40,336</u>	<u>38,242</u>
Total net assets with donor restrictions	<u>\$ 127,268</u>	<u>\$ 125,174</u>

During 2023, 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>2023</u>
Purpose restrictions	
Legal Services Corporation (LSC)	\$ 30,506
Other funders	<u>4,196</u>
	<u>\$ 34,702</u>

10 - 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:

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 noncash 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 beneficial interests in assets held by others.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10 - FAIR VALUE MEASUREMENTS (Continued)

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, 2023.

*Common stock:* Determined by the closing price on the last business day of the fiscal year.

*Mutual funds and exchange traded funds:* Valued at the closing price reported on the active market in which the individual securities are traded. These funds held by the Organization are open-end mutual funds and exchange traded funds registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The securities held by the Organization are deemed to be actively traded.

*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.

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, 2023			Total
	Level 1	Level 2	Level 3	
Investments				
Common stocks	\$ 5,368	\$ -	\$ -	\$ 5,368
Mutual funds				
Equities	1,075,483	-	-	1,075,483
Fixed income	423,746	-	-	423,746
Exchange traded funds				
Equities	112,855	-	-	112,855
Fixed income	281,251	-	-	281,251
Total investments at fair value	<u>\$ 1,898,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,703</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,336</u>	<u>\$ 40,336</u>

There were no significant transfers between the levels or purchases or sales of Level 3 assets during the year.

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

COMMUNITY LEGAL AID, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

11 - CONCENTRATIONS OF RISK

The Organization’s investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. 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:

	2023		2022	
	<u>% of Total Revenue</u>	<u>% of Total Accounts Receivable</u>	<u>% of Total Revenue</u>	<u>% of Total Accounts Receivable</u>
MLAC	58%	74%	62%	30%
Legal Services Corporation	9%	5%	11%	-

12 - 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 \$515,072 and \$437,172 in 2023 and 2022, respectively, and are included in employee benefits and payroll taxes.

13 - 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.

14 - UNION CONTRACT

The non-management employees of the Organization are unionized in a collective bargaining unit. The contract was negotiated and renewed for a three-year term in May 2022, through June 1, 2025.

15 - 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 2023 the basic grant award was \$2,064,596. The minimum required Private Attorney Involvement (PAI) expenditures of \$258,075 was exceeded. The actual expenditures for PAI was \$319,088.

16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 29, 2024, 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 SCHEDULE OF UNRESTRICTED ACTIVITIES AND CHANGES  
IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATING ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2023

	Community Legal Aid, Inc.			Central West Justice Center, PLLC	Total Without Donor Restriction
	Operating	LSC	Total	Operating	
<b>Revenue</b>					
Grants and contracts	\$ 13,590,822	\$ 1,943,663	\$ 15,534,485	\$ 3,446,553	\$ 18,981,038
Contributions of cash and other financial assets	251,765	-	251,765	3,131	254,896
Contributions of nonfinancial assets	-	443,914	443,914	-	443,914
Net investment return	419,222	42,916	462,138	-	462,138
Other revenue	304,802	3,219	308,021	1,685	309,706
Net assets released from restriction	4,196	30,506	34,702	-	34,702
<b>Total</b>	<b>14,570,807</b>	<b>2,464,218</b>	<b>17,035,025</b>	<b>3,451,369</b>	<b>20,486,394</b>
<b>Expenses</b>					
<b>Personnel</b>					
Lawyers	4,470,755	880,615	5,351,370	1,597,867	6,949,237
Lawyers - donated services	-	443,914	443,914	-	443,914
Paralegals	1,038,590	253,142	1,291,732	283,590	1,575,322
Support staff and other	1,857,548	-	1,857,548	403,115	2,260,663
Employee benefits and payroll taxes	2,164,625	329,657	2,494,282	741,108	3,235,390
<b>Total</b>	<b>9,531,518</b>	<b>1,907,328</b>	<b>11,438,846</b>	<b>3,025,680</b>	<b>14,464,526</b>
<b>Non-personnel</b>					
Occupancy	891,670	-	891,670	217,491	1,109,161
Supplies	56,284	-	56,284	16,038	72,322
Telecommunications	28,266	-	28,266	4,815	33,081
Professional fees	58,270	-	58,270	440	58,710
Postage and delivery	26,363	-	26,363	10,867	37,230
Printing and publications	38,778	-	38,778	519	39,297
Equipment rental and maintenance	49,029	-	49,029	10,489	59,518
Travel	100,401	-	100,401	23,956	124,357
Training	7,514	-	7,514	1,792	9,306
Library	51,219	-	51,219	11,598	62,817
Litigation	6,854	-	6,854	3,620	10,474
Membership dues	45,373	-	45,373	9,144	54,517
Insurance	56,855	-	56,855	21,556	78,411
Advertising	55,919	-	55,919	-	55,919
Miscellaneous	122,253	-	122,253	19,516	141,769
Board expenses	4,544	-	4,544	-	4,544
Campaign expense	15,943	-	15,943	-	15,943
Contract services program	88,913	-	88,913	16,965	105,878
Contract services clients	48,062	-	48,062	50,106	98,168
Contract services grants	1,000,369	-	1,000,369	2,109	1,002,478
Depreciation	16,552	-	16,552	4,668	21,220
Indirect costs	(556,890)	556,890	-	-	-
<b>Total</b>	<b>11,753,645</b>	<b>2,464,218</b>	<b>14,217,863</b>	<b>3,451,369</b>	<b>17,669,232</b>
<b>Change in net assets without donor restrictions</b>	<b>\$ 2,817,162</b>	<b>\$ -</b>	<b>\$ 2,817,162</b>	<b>\$ -</b>	<b>\$ 2,817,162</b>

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, 2023

	Basic Field Grant	Technology Initiative Grant	Donated Services	Fellowship Grant	Total
Operating activities					
Revenue					
Grants	\$ 1,905,126	\$ 31,537	\$ -	\$ 7,000	\$ 1,943,663
Contributions of nonfinancial assets	-	-	443,914	-	443,914
Net investment return	73,422	-	-	-	73,422
Other revenue	3,219	-	-	-	3,219
	<u>1,981,767</u>	<u>31,537</u>	<u>443,914</u>	<u>7,000</u>	<u>2,464,218</u>
Total	1,981,767	31,537	443,914	7,000	2,464,218
Expenses					
Personnel					
Lawyers	878,039	2,576	-	-	880,615
Lawyers - donated services	-	-	443,914	-	443,914
Paralegals	246,142	-	-	7,000	253,142
Employee benefits and payroll taxes	329,252	405	-	-	329,657
	<u>1,453,433</u>	<u>2,981</u>	<u>443,914</u>	<u>7,000</u>	<u>1,907,328</u>
Total	1,453,433	2,981	443,914	7,000	1,907,328
Non-personnel					
Indirect costs	528,334	28,556	-	-	556,890
	<u>528,334</u>	<u>28,556</u>	<u>-</u>	<u>-</u>	<u>556,890</u>
Total	528,334	28,556	-	-	556,890
Change in net assets from operating activities	-	-	-	-	-
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

COMMUNITY LEGAL AID, INC. AND AFFILIATE

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT

YEAR ENDED SEPTEMBER 30, 2023

Personnel	
Lawyers	\$ 57,647
Paralegals	121,550
Employee benefits and payroll taxes	<u>53,473</u>
Total personnel	232,670
Non-personnel	
Indirect costs	<u>86,418</u>
Total expense	<u>\$ 319,088</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, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Legal Services Corporation				
Direct Programs:				
Basic Field Grants	09.122150	N/A	\$ -	\$ 1,981,767
Technology Initiative Grant			-	31,537
Fellowship Grant			-	7,000
			<u>-</u>	<u>2,020,304</u>
U.S. Department of Health and Human Services				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B -				
Grants for Supportive Services and Senior Centers:	93.044			
Passed-Through Central Massachusetts Agency on Aging, Inc.		N/A	-	117,167
Passed-Through Elder Services of Berkshire County, Inc.		N/A	-	25,000
Passed-Through LifePath, Inc.		N/A	-	35,876
Passed-Through Greater Springfield Senior Services, Inc.		N/A	-	89,122
Passed-Through Highland Valley Elder Services, Inc.		N/A	-	32,213
Passed-Through WestMass Eldercare, Inc.		N/A	-	24,865
			<u>-</u>	<u>324,243</u>
COVID-19 - Special Programs for the Aging, Title III, Part B -				
Grants for Supportive Services and Senior Centers:	93.044			
Passed-Through Central Massachusetts Agency on Aging, Inc.		N/A	-	20,559
Passed-Through Elder Services of Berkshire County, Inc.		N/A	-	12,096
Passed-Through Highland Valley Elder Services, Inc.		N/A	-	9,783
			<u>-</u>	<u>42,438</u>
Total Aging Cluster			<u>-</u>	<u>366,681</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Private Enforcement Initiatives	14.418	N/A	16,073	218,750
COVID-19 - Private Enforcement Initiatives	14.418	N/A	-	233,334
			<u>16,073</u>	<u>452,084</u>
CDBG Entitlement Grant Cluster:				
Community Development Block Grants/Entitlement Grants	14.218			
Passed-Through City of Northampton		N/A	-	6,960
Passed-Through City of Pittsfield		N/A	-	11,974
Passed-Through City of Fitchburg		N/A	-	904
Total CDBG Entitlement Grant Cluster			<u>-</u>	<u>19,838</u>
Total U.S. Department of Housing and Urban Development			<u>16,073</u>	<u>471,922</u>
U.S. Department of Justice				
Legal Assistance for Victims	16.524			
Passed-Through the Legal Advocacy for Women Partnership		N/A	-	162,386
Crime Victim Assistance	16.575			
Passed-Through Massachusetts Legal Assistance Corporation		N/A	-	674,694
Total U.S. Department of Justice			<u>-</u>	<u>837,080</u>
U.S. Department of the Treasury				
COVID-19 - Emergency Rental Assistance Program	21.023			
Passed-Through Massachusetts Department of Housing and Community Development		N/A	-	660,820
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			
Passed-Through City of Pittsfield		N/A	-	5,853
Total U.S. Department of the Treasury			<u>-</u>	<u>666,673</u>
Total Expenditures of Federal Awards			<u>\$ 16,073</u>	<u>\$ 4,362,660</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, 2023. 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.

## OTHER REPORTS

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

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 (*Government Auditing Standards*), the consolidated financial statements of Community Legal Aid, Inc. and Affiliate (the "Organization"), which comprise the Organization's consolidated statement of financial position as of September 30, 2023, 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 (collectively, the financial statements), and have issued our report thereon dated January 29, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 financial statements. 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  
January 29, 2024

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

Board of Directors  
Community Legal Aid, Inc. and Affiliate

**Report on Compliance for each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Community Legal Aid, Inc. and Affiliate's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2023. 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.

In our opinion, the Organization complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

(Continued)

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
January 29, 2024



COMMUNITY LEGAL AID, INC. AND AFFILIATE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED SEPTEMBER 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes      X No
- Significant deficiency(ies) identified? \_\_\_ Yes      X None Reported

Noncompliance material to financial statements noted?

\_\_\_ Yes      X No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ Yes      X No
- Significant deficiency(ies) identified? \_\_\_ Yes      X 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 2 CFR 200.516(a)?

\_\_\_ Yes      X No

Identification of major programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

09.122150

Basic Field Grants, Technology Initiative Grant, and Fellowship Grant

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

X Yes      \_\_\_ No

COMMUNITY LEGAL AID, INC. AND AFFILIATE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2023  
(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, 2023 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, 2023.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

No findings noted as of September 30, 2023.

B. Compliance Findings

No findings noted as of September 30, 2023.

COMMUNITY LEGAL AID, INC. AND AFFILIATE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2023

The single audit for the year ended September 30, 2022 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.