

# **Legal Services NYC and Constituent Corporations**

Consolidated Financial Report  
and Supplementary Information

December 31, 2018

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Legal Services NYC and Constituent Corporations

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Legal Services NYC and Constituent Corporations (collectively, Legal Services NYC), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities and cash flows for the year then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services NYC and Constituent Corporations as of December 31, 2018 and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Legal Services NYC's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of Matter**

As more fully described in Note 5 to the financial statements, Legal Services NYC has recognized a receivable amounting to \$5,051,928 from unexecuted and/or unregistered contracts with the City of New York. As a result, the City of New York may claim not to be obligated to pay Legal Services NYC for the contract services performed. Consequently, the ultimate realization of these contract receivables is subject to the execution of these contracts by the City of New York. Our opinion is not modified with respect to this matter.

As discussed in Note 2, Legal Services NYC adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to December 31, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual constituent corporations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The consolidating 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

New York, New York  
May 3, 2019

## **FINANCIAL STATEMENTS**

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**  
Consolidated Statement of Financial Position  
December 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,507,200	\$ 6,835,532
Government and private contracts receivable	25,151,774	16,111,638
Grants and contributions receivable	635,032	1,098,218
Other receivable	124,661	85,077
Prepayments	165,921	77,294
Escrow accounts	801,025	896,402
Total current assets	<u>29,385,613</u>	<u>25,104,161</u>
<i>Other assets</i>		
Property, equipment, and law libraries, net	8,454,235	9,170,791
Security deposits	797,811	726,820
Total assets	<u>\$ 38,637,659</u>	<u>\$ 35,001,772</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 4,396,392	\$ 3,185,740
Notes payable, current portion	56,724	53,157
Contract advances	239,899	83,971
Accrued vacation leave payable	4,116,362	3,550,128
Due to grantor	14,792	14,792
Escrow accounts	801,025	896,402
Total current liabilities	<u>9,625,194</u>	<u>7,784,190</u>
<i>Long-term debt and other obligations</i>		
Notes payable, less current portion	118,661	175,385
Deferred rent obligations	1,539,188	1,603,260
Total liabilities	<u>11,283,043</u>	<u>9,562,835</u>
Commitments and contingencies (note 11)		
<i>Net assets</i>		
Net assets without donor restrictions:		
Undesignated	8,699,412	7,437,697
Board-designated	5,647,407	5,647,407
Total net assets without donor restrictions	<u>14,346,819</u>	<u>13,085,104</u>
Net assets with donor restrictions:		
Legal Services Corporation - Grant	1,206,135	960,279
Legal Services Corporation - Property	370,899	24,877
Total Legal Services Corporation	<u>1,577,034</u>	<u>985,156</u>
Non - Legal Services Corporation	11,430,763	11,368,677
Total net assets with donor restrictions	<u>13,007,797</u>	<u>12,353,833</u>
Total net assets	<u>27,354,616</u>	<u>25,438,937</u>
Total liabilities and net assets	<u>\$ 38,637,659</u>	<u>\$ 35,001,772</u>

See notes to consolidated financial statements.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Consolidated Statement of Activities

Year Ended December 31, 2018

(with summarized comparative information for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Summarized Information 2017
<b>SUPPORT AND REVENUE</b>				
<i>Grants and contributions</i>				
Legal Services Corporation (LSC)				
Basic	\$ -	\$ 12,574,824	\$ 12,574,824	\$ 11,754,460
Other grants	-	266,453	266,453	218,938
Interest on Lawyers' Account (IOLA)	5,684,326	-	5,684,326	4,973,893
Donated services	44,355,867	-	44,355,867	28,278,750
Fund-raising events	1,293,175	-	1,293,175	1,906,472
Private grants and contributions	607,631	3,115,261	3,722,892	4,686,094
Total grants and contributions	<u>51,940,999</u>	<u>15,956,538</u>	<u>67,897,537</u>	<u>51,818,607</u>
<i>Revenue</i>				
Government and private contracts	52,396,389	-	52,396,389	47,379,462
Attorney fees	455,434	40,411	495,845	617,113
Interest	721	-	721	-
Other revenue	1,180	-	1,180	4,458
Total revenue	<u>52,853,724</u>	<u>40,411</u>	<u>52,894,135</u>	<u>48,001,033</u>
Net assets released from restrictions	15,342,985	(15,342,985)	-	-
Total support and revenue	<u>120,137,708</u>	<u>653,964</u>	<u>120,791,672</u>	<u>99,819,640</u>
<b>EXPENSES</b>				
<i>Personnel</i>				
Lawyers	28,654,231	-	28,654,231	26,426,399
Lawyers, donated services	44,355,867	-	44,355,867	28,278,750
Nonlawyers	14,555,520	-	14,555,520	12,275,992
Fringe benefits	16,767,875	-	16,767,875	15,082,412
Provision for vacation leave	566,236	-	566,236	351,865
Total personnel	<u>104,899,729</u>	<u>-</u>	<u>104,899,729</u>	<u>82,415,418</u>
<i>Other than personnel costs</i>				
Consultants and contract services	1,248,005	-	1,248,005	1,439,598
Travel	182,991	-	182,991	172,408
Space	4,726,249	-	4,726,249	4,543,381
Consumable supplies	864,970	-	864,970	805,469
Telephone	799,534	-	799,534	569,569
Insurance	292,031	-	292,031	285,574
Equipment rental, maintenance, etc.	669,784	-	669,784	776,681
Depreciation and amortization	1,010,641	-	1,010,641	918,037
Litigation cost	429,249	-	429,249	476,273
Other	1,568,397	-	1,568,397	941,916
Bad debt	8,728	-	8,728	8,921
Loss on disposals	31,150	-	31,150	-
Payments to other organizations	2,144,535	-	2,144,535	2,882,212
Total other than personnel costs	<u>13,976,264</u>	<u>-</u>	<u>13,976,264</u>	<u>13,820,039</u>
Total expenses	<u>118,875,993</u>	<u>-</u>	<u>118,875,993</u>	<u>96,235,457</u>
Change in net assets	1,261,715	653,964	1,915,679	3,584,183
Net assets at beginning of year	<u>13,085,104</u>	<u>12,353,833</u>	<u>25,438,937</u>	<u>21,854,754</u>
Net assets at end of year	<u>\$ 14,346,819</u>	<u>\$ 13,007,797</u>	<u>\$ 27,354,616</u>	<u>\$ 25,438,937</u>

See notes to consolidated financial statements.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Consolidated Statement of Cash Flows  
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,915,679	\$ 3,584,183
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities</i>		
Depreciation and amortization	1,010,641	918,037
Loss on disposal	31,150	-
Changes in operating assets and liabilities:		
(Increase) decrease in government and private contracts receivable	(9,040,135)	1,593,857
Decrease (increase) in grants and contributions receivable	463,186	(274,735)
Increase in other receivable	(39,586)	(7,291)
(Increase) decrease in prepayments	(88,627)	128,313
Decrease (increase) in escrow accounts	95,377	(168,670)
Increase in accounts payable and accrued expenses	1,210,652	77,356
Increase (decrease) in contract advances	155,928	(130,436)
Increase in accrued vacation leave payable	566,234	351,866
(Decrease) increase in escrow account	(95,377)	168,670
Decrease in deferred rent obligations	(64,072)	(21,718)
<b>Net cash (used in) provided by operating activities</b>	<u>(3,878,950)</u>	<u>6,219,432</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Security deposits made	(70,339)	(56,396)
Security deposits returned	(652)	-
Purchases of property and equipment	(325,234)	(1,264,097)
<b>Net cash used in investing activities</b>	<u>(396,225)</u>	<u>(1,320,493)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable	(53,157)	(591,302)
<b>Net cash used in financing activities</b>	<u>(53,157)</u>	<u>(591,302)</u>
Net change in cash and cash equivalents	(4,328,332)	4,307,637
Cash and cash equivalents at beginning of year	6,835,532	2,527,895
Cash and cash equivalents at end of year	<u>\$ 2,507,200</u>	<u>\$ 6,835,532</u>
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 13,191</u>	<u>\$ 66,009</u>
Acquisition of property and equipment through lease incentives and notes payable	<u>\$ -</u>	<u>\$ 96,456</u>

See notes to consolidated financial statements.



**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 1      ORGANIZATION**

Legal Services NYC is a not-for-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings or matters to indigent persons in the New York City area.

Legal Services NYC disburses grant funds under the Legal Services Corporation ("LSC") legal assistance program to controlled organizations of Constituent Corporations ("CCs") and to independent organizations, including The Legal Aid Society and Center for Disability Advocacy Rights, Inc. In this connection, Legal Services NYC exercises fiscal and compliance responsibilities with respect to the CCs.

Legal Services NYC maintains the books of account for the CCs (all of which are separate corporations) and makes payments for substantially all of their expenditures. The accompanying consolidated financial statements include the accounts and activities of the following corporations:

Legal Services NYC, the controlling entity, which is comprised of administrative and programmatic units as follows:

- Central Administration (Central)
- Staten Island Branch (Staten Island)
- Legal Support Unit (Support Unit)

Legal Services NYC's four constituent corporations as follows:

- Queens Legal Services Corporation (Queens)
- Brooklyn Legal Services Corporation (Brooklyn)
- Manhattan Legal Services (Manhattan)
- Legal Services NYC - Bronx (Bronx)

Effective February 2017, Legal Services NYC merged the office and constituent corporations of Brooklyn Branch, Bedford Stuyvesant Community Legal Services and South Brooklyn Legal Services Corporation into a newly formed constituent corporation now called Brooklyn Legal Services Corporation (BLS). Separate operations for Brooklyn Branch and Bedford Stuyvesant Legal Services ceased as of 2017 and are now being reported as part of the new entity under one employer identification number (EIN) number.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 1 ORGANIZATION (CONTINUED)**

All material inter-organizational accounts and transactions among Legal Services NYC and the CCs have been eliminated in consolidation.

Legal Services NYC and the CCs are collectively referred to as "Legal Services NYC."

Legal Services NYC and the CCs are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and from New York State and the City of New York income taxes and, therefore, have made no provision in the accompanying consolidated financial statements for income taxes. In addition, Legal Services NYC and the CCs have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Code.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Basis of Accounting and Financial Statement Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Legal Services NYC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**Net Assets Without Donor Restrictions:** Net assets without donor restrictions include funds having no restriction as to the use, purpose or time imposed by the donors.

**Net Assets With Donor Restrictions:** Net assets with donor restrictions are those assets whose use by Legal Services NYC has been limited by donors to a specific time period or purpose.

Non-Legal Services Corporation (Non-LSC) represents net assets restricted for all other programs except LSC.

Net assets held in perpetuity resulting from contributions and other inflows of assets whose use by Legal Services NYC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of Legal Services NYC. Legal Services NYC had no net assets held in perpetuity as of December 31, 2018 and 2017.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

2.    Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid deposits with an original maturity of three months or less. The amount of cash equivalents reported in the consolidated statement of financial position approximates the fair value because of the short maturity of these instruments.

3.    Private Grants and Contributions

Private grants and contributions are recorded as revenue when either cash is received or when donors make an enforceable promise to give. Private grants and contributions are recorded as with donor restrictions and without donor restrictions support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Private grants and contributions receivable that are expected to be collected within one year are recorded at the net realizable value. Private grants and contributions receivable that are to be collected in more than one year are recorded at the present value of their estimated future cash flows, using a borrowing rate which also considers the risk factors of the donor at the time the receivable is recorded. An allowance for doubtful grants and contributions receivable is provided by management based on Legal Services NYC's experience with the donors and their ability to pay.

4.    Government and Private Contracts

Revenue from expense reimbursement-based government and private contracts is recognized when reimbursable expenses are incurred under the terms of the contracts. Revenue from performance-based government and private contracts is recognized when performance objectives pursuant to the contract have been accomplished. Contract payments in excess of qualified expenses or performance are reported as contract advances.

**LEGAL SERVICES NYC  
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Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Pursuant to the Accounting Guide for LSC Recipients, Legal Services NYC recognizes grant revenue from LSC as restricted support in the year of receipt. LSC funds are released from restriction when the program purpose has been satisfied. Funds remaining unexpended at the end of an accounting period are carried in the net asset class with donor restrictions.

5. Donated Services

In-kind contributions are reported as revenue and expense at their estimated fair value on the date of receipt. Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. Contributed services provided by attorneys on a pro bono basis are recorded as revenue and expense at fair value, based on the attorneys' average billing rates.

A number of volunteers have made a contribution of their time to Legal Services NYC to serve on the board of directors. The value of this contributed time is not reflected in these consolidated financial statements since such services would not typically be purchased had they not been provided by donation.

6. Attorney Fees

Attorney fees revenue is recorded on a cash basis.

7. Property, Equipment, and Law Libraries

Property, equipment and law libraries are recorded at cost or the fair value of the donated property at date of gift. Depreciation and amortization of property, equipment, and law libraries are computed on the straight-line basis over their estimated service lives, as follows:

Buildings and leasehold improvements	25 years
Furniture, fixtures, and office equipment	10 years
Law libraries	5 years

**LEGAL SERVICES NYC  
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Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Leasehold improvements are amortized over the lesser of their estimated useful lives or the lease period.

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Income Taxes

As an exempt organization, Legal Services NYC and the CCs are subject to taxes on unrelated business income (UBIT), if applicable. For the year ended December 31, 2018, Legal Services NYC and CCs was subject to UBIT of approximately \$132,000 related to fringe benefits provided to employees. Legal Services NYC and CCs are not classified as a private foundation.

Management has evaluated the income tax positions of Legal Services NYC and the CCs for the year ended December 31, 2018 and concluded that there are no uncertain income tax positions that require adjustments or disclosures to the accompanying consolidated financial statements. Legal Services NYC is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2016.

10. Evaluation of Subsequent Events

Legal Services NYC evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was May 3, 2019.

**LEGAL SERVICES NYC  
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Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

11. Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 was adopted by Legal Services NYC for the year ended December 31, 2018. The impact to the consolidated financial statements includes a change from unrestricted net assets to net assets without donor restrictions, and temporarily restricted net assets to net assets with donor restrictions, additional disclosure on liquidity analysis (see Note 16) and expanded disclosure on the functional expenses allocation (see Note 17). The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal year beginning after December 15, 2018. Legal Services NYC does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and lease liability. The new standard is effective for 2020 and Legal Services NYC expect the adoption of the new standard to have a material impact on its consolidated statement of financial position.

**LEGAL SERVICES NYC  
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Notes to Consolidated Financial Statements

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(with selected summarized comparative information as of and for the year ended December 31, 2017)

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

In August 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and accounting Guidance for Contributions Received and Contributions Made*, intended to clarify and improve the scope and the accounting guidance for contributions received and made. The ASU is effective for and will be adopted in 2019. Legal Services NYC does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

**NOTE 3      LEGAL SERVICES CORPORATION GRANT AND EXCESS FUND  
BALANCE**

Legal Services NYC is funded by grants from the LSC, a not-for-profit corporation established by Congress to administer the federal government's legal assistance program.

In accordance with the terms of its LSC grants, Legal Services NYC may retain up to 10% of unexpended basic grant award funds for use in future periods provided expenses are incurred in compliance with the specified terms of each grant, as defined. If Legal Services NYC does not comply with the terms of the LSC grants, then, under certain circumstances, LSC may, at its discretion, request (1) reimbursement for expenditures that are not in compliance with the grants and/or (2) return of unexpended funds. In addition, if Legal Services NYC terminates its legal assistance activities, all unexpended funds are to be returned to LSC.

**NOTE 4      PROPERTY, EQUIPMENT, AND LAW LIBRARIES**

Property, equipment, and law libraries are detailed as follows:

Asset Description	Cost	Accumulated Depreciation and Amortization	Net Book Value	
			2018	2017
Building	\$ 4,914,190	\$ 610,550	\$ 4,303,640	\$ 4,547,000
Leasehold improvements	6,627,139	3,229,725	3,397,414	3,581,754
Furnitures, fixtures, and equipment	3,438,787	2,689,991	748,796	1,041,675
Law libraries	46,753	42,368	4,385	362
<b>Total</b>	<b>\$ 15,026,869</b>	<b>\$ 6,572,634</b>	<b>\$ 8,454,235</b>	<b>\$ 9,170,791</b>

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 4      PROPERTY, EQUIPMENT, AND LAW LIBRARIES (CONTINUED)**

Depreciation and amortization expense was \$1,010,641 and \$918,037 for the years ended December 31, 2018 and 2017, respectively.

LSC and other government agencies may retain certain reversionary interests in the property, equipment, and law libraries purchased with their funds, as well as the determination of the use of any proceeds from the sale of such assets.

**NOTE 5      GOVERNMENT AND PRIVATE CONTRACTS RECEIVABLE**

At December 31, 2018 and 2017, government and private contracts receivable consisted of the following:

	2018	2017
Federal	\$ 1,931,029	\$ 1,576,945
New York State	3,405,665	3,093,183
New York City	18,084,483	9,298,337
Private contracts	1,730,597	2,143,173
	\$ 25,151,774	\$ 16,111,638

This amount includes \$5,051,928 and \$3,767,569 from unexecuted and/or unregistered contracts with the City of New York as of May 3, 2019 and May 1, 2018, respectively. The ultimate realization of these contracts receivable is subject to the execution of these contracts by the City of New York. However, management believes that Legal Services NYC will ultimately collect these amounts as these are amounts due for services performed or expenditures incurred on recurring contracts with the City of New York.

Legal Services NYC expects to collect all government and private contracts receivable within one year. Accordingly, no provision for doubtful accounts has been recognized in the accompanying consolidated financial statements.



**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

**NOTE 6 SUMMARY OF FUNDING UNDER GOVERNMENT AND PRIVATE CONTRACTS**

Government and private contracts revenue for the year ended December 31, 2018 and 2017 are summarized as follows:

	Contract Advances January 1, 2018	Contract Awards During 2018	Total	Contracts Applied During 2018
Federal	\$ -	\$ 1,625,189	\$ 1,625,189	\$ 1,625,189
New York State	1,461	15,415,163	15,416,624	15,415,163
New York City	12,823	33,781,992	33,794,815	33,781,992
Private contracts	69,687	1,573,121	1,642,808	1,574,045
	<u>\$ 83,971</u>	<u>\$ 52,395,465</u>	<u>\$ 52,479,436</u>	<u>\$ 52,396,389</u>

	Contract Advances January 1, 2017	Contract Awards During 2017	Total	Contracts Applied During 2017
Federal	\$ -	\$ 1,633,739	\$ 1,633,739	\$ 1,633,739
New York State	92,451	15,743,665	15,836,116	15,743,665
New York City	75,497	28,320,469	28,395,966	28,320,469
Private contracts	46,459	1,681,589	1,728,048	1,681,589
	<u>\$ 214,407</u>	<u>\$ 47,379,462</u>	<u>\$ 47,593,869</u>	<u>\$ 47,379,462</u>

**NOTE 7 NOTES PAYABLE**

Notes payable at December 31, 2018 and 2017, consist of the following:

	2018	2017
Note payable, 5.0%, due November 2022	\$ 73,633	\$ 94,742
Note payable, 7.5%, due September 2021	101,752	133,800
Total	175,385	228,542
Less current portion	56,724	53,157
	<u>\$ 118,661</u>	<u>\$ 175,385</u>

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

**NOTE 8 ACCRUED VACATION LEAVE PAYABLE**

Legal Services NYC's vacation policy permits management and non-management personnel to accrue 45 days and 40 days, respectively, of paid vacation time.

The accumulated vacation obligation as of December 31, 2018 and 2017 was as follows:

	2018	2017
Management personnel	\$ 1,465,344	\$ 1,243,997
Non-management personnel	2,651,018	2,306,131
	\$ 4,116,362	\$ 3,550,128

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets with donor restrictions at December 31, 2018 and 2017 are available to satisfy LSC and other program purposes. The changes in Legal Services NYC's net assets with donor restrictions are summarized below.

Purpose /Funding Source	Balance January 1, 2018	Revenue	Acquisition of Property from LSC Funds	Release from Restrictions	Balance December 31, 2018
LSC					
Grant	\$ 960,279	\$ 12,881,688	\$ (366,357)	\$ (12,269,475)	\$ 1,206,135
Property	24,877	-	366,357	(20,335)	370,899
<b>Total LSC</b>	985,156	12,881,688	-	(12,289,810)	1,577,034
Non-LSC	11,368,677	3,115,261	-	(3,053,175)	11,430,763
<b>Total</b>	\$ 12,353,833	\$ 15,996,949	\$ -	\$ (15,342,985)	\$ 13,007,797

Purpose /Funding Source	Balance January 1, 2017	Revenue	Acquisition of Property from LSC Funds	Release from Restrictions	Balance December 31, 2017
LSC					
Grant	\$ 1,848,739	\$ 11,978,040	\$ (102,031)	\$ (12,764,469)	\$ 960,279
Property	497,476	-	102,031	(574,630)	24,877
<b>Total LSC</b>	2,346,215	11,978,040	-	(13,339,099)	985,156
Non-LSC	10,113,363	4,174,492	-	(2,919,178)	11,368,677
<b>Total</b>	\$ 12,459,578	\$ 16,152,532	\$ -	\$ (16,258,277)	\$ 12,353,833

**LEGAL SERVICES NYC  
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Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 10      EMPLOYEE BENEFIT PLAN**

Legal Services NYC sponsors The Legal Services NYC Tax Deferred Annuity Plan (the Plan), a 403(b) plan covering all eligible employees of Legal Services NYC and the constituent corporations. Under the terms of the collective bargaining agreement between the Legal Services Staff Association and Legal Services NYC, Legal Services NYC contributes 7% of gross pay of eligible employees to the Plan. Contributions are made every pay period and are made on behalf of employees with one or more years of service. The Plan provides for immediate vesting. Past service was credited towards vesting. The total pension expenses for the years ended December 31, 2018 and 2017 were approximately \$2,599,000 and \$2,310,000, respectively, and are included in fringe benefits on the Consolidated Statement of Activities.

**NOTE 11      COMMITMENTS AND CONTINGENCIES**

1. Lease Obligations

Legal Services NYC and the CCs lease space at various locations throughout the city under noncancelable leases expiring through February 1, 2030. The leases are subject to escalations for increases in real estate taxes and other building expenses. The following is a summary of the minimum future annual lease obligations:

Year ending December 31,	Minimum Lease Payments
2019	\$ 3,788,695
2020	3,592,654
2021	3,004,267
2022	2,232,936
2023	2,710,462
Thereafter	9,054,858
	\$ 24,383,872

Rent expense for the years ended December 31, 2018 and 2017 amounted to \$3,293,935 and \$3,403,801, respectively, and are included in space on the consolidated Statement of Activities.

Legal Services NYC recognizes deferred rent obligations for the difference between the cumulative amounts of rent expenses recorded on a straight-line basis over the term of the lease and the cumulative required amounts paid under the lease.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 11      COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Legal Services NYC has incentives from certain landlords for leasehold improvements amounting to \$371,045, and \$318,461 for the years ended December 31, 2018 and 2017, respectively. Such amount is included in leasehold improvements and deferred rent obligations in the accompanying consolidated statement of financial position and is being amortized over the term of the leases.

2. Collective Bargaining Agreement

The collective bargaining agreement covers non-management personnel of Legal Services NYC for the period from July 1, 2017 to June 30, 2020.

3. Contingent Liabilities

Legal matters for Legal Services NYC and the CCs are handled by outside legal counsel, who advised that as of December 31, 2018, there were legal actions pending against Legal Services NYC and the CCs. In the opinion of management and its legal counsel, these cases will be dismissed, settled within the limits of insurance coverage, or any resultant liability would not be material to the consolidated financial statements.

4. Funding Source Audits

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in adjustments to reimbursements claimed by Legal Services NYC for the various programs conducted for or on behalf of the funding agencies. Management is of the opinion that the results of such audits would not have a material effect in the accompanying consolidated financial statements for such potential adjustments.

**NOTE 12      DONATED SERVICES**

Legal Services NYC and the CCs receive legal services from consultants, attorneys and law firms that donate their time to various programs on a pro bono basis. These donated services, which have an estimated fair value of \$44,355,867 and \$28,278,750 for 2018 and 2017, respectively, have been reflected in the accompanying consolidated statement of activities.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 13      CONCENTRATION OF CREDIT RISK**

Legal Services NYC maintains its cash in a number of bank accounts of which all are interest-bearing accounts. The cash in these accounts from time to time exceeds the Federal Deposit Insurance Corporation limits and subjects Legal Services NYC to concentration of credit risk. However, Legal Services NYC monitors this risk on a regular basis. Substantially all of Legal Services NYC's cash and cash equivalents at December 31, 2018 and 2017 are held by one financial institution.

**NOTE 14      COMPARATIVE FINANCIAL INFORMATION**

The accompanying consolidated 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 Legal Services NYC's consolidated financial statements as of and for the year ended December 31, 2017, from which the summarized information was derived.

**NOTE 15      BOARD-DESIGNATED RESERVE**

The board-designated reserve is maintained as an operating reserve for the organization. The reserve is not used to provide income for operations, but to be available as a reserve for appropriation by the board. The target amount for the reserve was set at one month of budgeted expenses for the organization. At December 31, 2018, the target reserve had a balance of \$5,647,407 for 2018 and 2017 respectively. In 2018, there were no additional authorizations made by the board.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

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**NOTE 16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Legal Services NYC regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Legal Services NYC has cash and cash equivalents as a source of liquidity at its disposal. The government and private contracts receivable are all due within one year since these amounts mainly represents monies for reimbursement to Legal Services NYC or monies to be received for services already performed which are all available for use in meeting annual operating needs. Grants and contributions receivable are due within one year and are also considered available for use in meeting annual operating needs.

In February 2019, Legal Services NYC entered into a line of credit agreement with a bank for \$3,000,000 at 5.5% annual interest, in order to ensure continued liquidity in the face of mounting accounts receivables resulting from unexecuted and/or unregistered contracts with the City of New York.

Financial assets, at December 31, 2018	
Cash and cash equivalents	\$ 2,507,200
Government and private contracts receivable	25,151,774
Grants and contributions receivable	635,032
Other receivables	124,661
Total financial assets, at December 31, 2018	28,418,667
Financial assets available to meet cash needs	
for general expenditures within one year	\$ 28,418,667

**NOTE 17 FUNCTIONAL EXPENSES**

Personnel costs directly allocated to programs are based on hours charged by each employee by function as recorded in the Legal Services NYC's case management system. Other than personnel costs allocated to programs are based on the ratio as established from personnel charges. Personnel costs allocated to management and general and fundraising are based on actual time spent on each function. Other than personnel costs allocated to management and general and fundraising are based on direct charges.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**  
Notes to Consolidated Financial Statements  
December 31, 2018

(with selected summarized comparative information as of and for the year ended December 31, 2017)

**NOTE 17      FUNCTIONAL EXPENSES (CONTINUED)**

Below is the functional classification of Legal Services NYC's expenses.

	2018								2017	
	Program Services					Supporting Services			Summarized Information	
	Housing	Income Maintenance	Family	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		Total
<i>Personnel</i>										
Lawyers	\$ 16,787,419	\$ 4,753,343	\$ 1,696,177	\$ 5,017,121	\$ 28,254,060	\$ 400,171	\$ -	\$ 400,171	\$ 28,654,231	\$ 26,426,399
Lawyers, donated services	24,190,934	6,849,642	2,444,217	7,229,751	40,714,544	3,641,323	-	3,641,323	44,355,867	28,278,750
Nonlawyers	6,377,112	1,805,674	644,334	1,905,876	10,732,996	3,486,964	335,560	3,822,524	14,555,520	12,275,992
Fringe benefits	9,177,367	2,598,563	927,268	2,742,766	15,445,964	1,209,690	112,221	1,321,911	16,767,875	15,082,412
Provision for vacation leave	284,789	80,638	28,775	85,113	479,315	86,921	-	86,921	566,236	351,865
Total personnel	56,817,621	16,087,860	5,740,771	16,980,627	95,626,879	8,825,069	447,781	9,272,850	104,899,729	82,415,418
<i>Other than personnel costs</i>										
Consultants and contract services	257,443	72,895	26,012	76,940	433,290	809,970	4,745	814,715	1,248,005	1,439,598
Travel	94,381	26,724	9,536	28,207	158,848	22,936	1,207	24,143	182,991	172,408
Space	2,528,364	715,904	255,462	755,632	4,255,362	470,887	-	470,887	4,726,249	4,543,381
Consumable supplies	410,398	116,204	41,466	122,652	690,720	117,090	57,160	174,250	864,970	805,469
Telephone	443,416	125,553	44,802	132,520	746,291	53,107	136	53,243	799,534	569,569
Insurance	-	-	-	-	-	292,031	-	292,031	292,031	285,574
Equipment rental, maintenance, etc.	311,408	88,175	31,464	93,068	524,115	136,964	8,705	145,669	669,784	776,681
Depreciation and amortization	303,774	86,013	30,693	90,787	511,267	499,374	-	499,374	1,010,641	918,037
Litigation cost	251,486	71,208	25,410	75,160	423,264	5,985	-	5,985	429,249	476,273
Other expenses	649,544	183,918	65,629	194,124	1,093,215	266,685	208,497	475,182	1,568,397	941,916
Bad debt	5,186	1,468	524	1,550	8,728	-	-	-	8,728	8,921
Payments to other organizations	424,669	120,245	42,908	126,917	714,739	1,429,796	-	1,429,796	2,144,535	2,882,212
Loss on disposal	15,064	4,265	1,522	4,502	25,353	5,797	-	5,797	31,150	-
Inter-company	(5,289)	(1,498)	(534)	(1,581)	(8,902)	8,902	-	8,902	-	-
Total other than personnel costs	5,689,844	1,611,074	574,894	1,700,478	9,576,290	4,119,524	280,450	4,399,974	13,976,264	13,820,039
Total expenses - 2018	\$ 62,507,465	\$ 17,698,934	\$ 6,315,665	\$ 18,681,105	\$ 105,203,169	\$ 12,944,593	\$ 728,231	\$ 13,672,824	\$ 118,875,993	
Total expenses - 2017	\$ 51,596,154	\$ 13,138,398	\$ 5,275,046	\$ 14,071,211	\$ 84,080,809	\$ 11,585,136	\$ 569,512	\$ 12,154,648		\$ 96,235,457

## **CONSOLIDATING INFORMATION**



**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Financial Position  
December 31, 2018  
(with summarized comparative information as of December 31, 2017)

	Legal Services NYC				Constituent Corporations					Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	Eliminations	2018	2017
<b>ASSETS</b>											
<i>Current assets</i>											
Cash and cash equivalents	\$ 2,477,700	\$ -	\$ 2,000	\$ 2,479,700	\$ 10,900	\$ 6,000	\$ 3,000	\$ 7,600	\$ -	\$ 2,507,200	\$ 6,835,532
Government and private contracts receivable	435,772	749,286	1,042,708	2,227,766	8,049,054	4,522,251	4,363,338	5,989,365	-	25,151,774	16,111,638
Grants and contributions receivable	63,188	39,197	-	102,385	65,181	269,194	89,837	108,435	-	635,032	1,098,218
Other receivable	111,183	-	38	111,221	7,114	5,224	680	422	-	124,661	85,077
Prepayments	114,986	4,304	500	119,790	27,139	4,828	2,290	11,874	-	165,921	77,294
Intercompany receivables	9,009,995	-	439,095	9,449,090	-	-	-	-	(9,449,090)	-	-
Escrow accounts	-	-	49,408	49,408	378,877	38,693	123,690	210,357	-	801,025	896,402
Total current assets	12,212,824	792,787	1,533,749	14,539,360	8,538,265	4,846,190	4,582,835	6,328,053	(9,449,090)	29,385,613	25,104,161
<i>Other Assets</i>											
Property, equipment, and law libraries, net	4,686,973	96,197	3,750	4,786,920	1,024,593	285,419	1,363,633	993,670	-	8,454,235	9,170,791
Security deposits	204,692	-	5,521	210,213	155,791	36,951	279,349	115,507	-	797,811	726,820
Total assets	\$ 17,104,489	\$ 888,984	\$ 1,543,020	\$ 19,536,493	\$ 9,718,649	\$ 5,168,560	\$ 6,225,817	\$ 7,437,230	\$ (9,449,090)	\$ 38,637,659	\$ 35,001,772
<b>LIABILITIES AND NET ASSETS</b>											
<i>Current liabilities</i>											
Accounts payable and accrued expenses	\$ 2,813,358	\$ 73,824	\$ 79,690	\$ 2,966,872	\$ 545,231	\$ 294,566	\$ 238,957	\$ 350,766	\$ -	\$ 4,396,392	\$ 3,185,740
Notes payable, current portion	34,535	-	-	34,535	22,189	-	-	-	-	56,724	53,157
Contract advances	148,419	-	-	148,419	63,790	3,830	-	23,860	-	239,899	83,971
Accrued vacation leave payable	734,870	-	196,066	930,936	1,211,141	631,023	607,036	736,226	-	4,116,362	3,550,128
Due to grantor	-	-	-	-	11,754	3,038	-	-	-	14,792	14,792
Intercompany payables	-	559,246	-	559,246	4,115,802	1,870,971	1,634,028	1,269,043	(9,449,090)	-	-
Escrow accounts	-	-	49,408	49,408	378,877	38,693	123,690	210,357	-	801,025	896,402
Total current liabilities	3,731,182	633,070	325,164	4,689,416	6,348,784	2,842,121	2,603,711	2,590,252	(9,449,090)	9,625,194	7,784,190
Notes payable, less current portion	67,217	-	-	67,217	51,444	-	-	-	-	118,661	175,385
Deferred rent obligations	414,619	-	-	414,619	395,691	389,921	-	338,957	-	1,539,188	1,603,260
Total liabilities	4,213,018	633,070	325,164	5,171,252	6,795,919	3,232,042	2,603,711	2,929,209	(9,449,090)	11,283,043	9,562,835
<i>Net assets</i>											
Net assets without restrictions - undesignated	7,244,064	204,410	404,678	7,853,152	(1,152,759)	286,199	713,212	999,608	-	8,699,412	7,437,697
Net assets without restrictions - board-designated	5,647,407	-	-	5,647,407	-	-	-	-	-	5,647,407	5,647,407
Total net assets without donor restrictions	12,891,471	204,410	404,678	13,500,559	(1,152,759)	286,199	713,212	999,608	-	14,346,819	13,085,104
Net assets with donor restrictions	-	51,504	813,178	864,682	4,075,489	1,650,319	2,908,894	3,508,413	-	13,007,797	12,353,833
Total net assets	12,891,471	255,914	1,217,856	14,365,241	2,922,730	1,936,518	3,622,106	4,508,021	-	27,354,616	25,438,937
Total liabilities and net assets	\$ 17,104,489	\$ 888,984	\$ 1,543,020	\$ 19,536,493	\$ 9,718,649	\$ 5,168,560	\$ 6,225,817	\$ 7,437,230	\$ (9,449,090)	\$ 38,637,659	\$ 35,001,772

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities  
Year Ended December 31, 2018  
(with summarized comparative information for the year ended December 31, 2017)

	Legal Services NYC				Constituent Corporations				Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2018	2017
<b>SUPPORT AND REVENUE</b>										
<b>Without donor restrictions</b>										
<i>Support</i>										
Interest on Lawyers' Account (IOLA)	\$ -	\$ 599,268	\$ 460,397	\$ <b>1,059,665</b>	\$ 1,428,102	\$ 817,640	\$ 1,063,304	\$ 1,315,615	\$ <b>5,684,326</b>	\$ 4,973,893
Donated services	3,641,323	12,372,616	596,404	<b>16,610,343</b>	12,656,026	4,166,969	8,936,279	1,986,250	<b>44,355,867</b>	28,278,750
Fund-raising events	810,555	1,000	22,720	<b>834,275</b>	83,805	371,140	3,955	-	<b>1,293,175</b>	1,906,472
Grants and Contributions	347,865	78,802	1,700	<b>428,367</b>	29,631	44,459	8,504	96,670	<b>607,631</b>	511,602
Total support	<u>4,799,743</u>	<u>13,051,686</u>	<u>1,081,221</u>	<u><b>18,932,650</b></u>	<u>14,197,564</u>	<u>5,400,208</u>	<u>10,012,042</u>	<u>3,398,535</u>	<u><b>51,940,999</b></u>	<u>35,670,717</u>
<i>Revenue</i>										
Government and private contracts	1,027,954	2,436,556	3,210,636	<b>6,675,146</b>	15,801,246	8,410,536	7,909,494	13,599,967	<b>52,396,389</b>	47,379,462
Attorney fees	-	99,942	9,600	<b>109,542</b>	175,317	71,536	79,399	19,640	<b>455,434</b>	612,471
Interest	651	-	70	<b>721</b>	-	-	-	-	<b>721</b>	-
Other revenue	1,180	-	-	<b>1,180</b>	-	-	-	-	<b>1,180</b>	4,458
Total revenue	<u>1,029,785</u>	<u>2,536,498</u>	<u>3,220,306</u>	<u><b>6,786,589</b></u>	<u>15,976,563</u>	<u>8,482,072</u>	<u>7,988,893</u>	<u>13,619,607</u>	<u><b>52,853,724</b></u>	<u>47,996,391</u>
Net assets released from restrictions	295,208	1,336,684	505,918	<b>2,137,810</b>	5,722,240	2,455,398	2,438,795	2,588,742	<b>15,342,985</b>	16,258,277
Total without donor restrictions support and revenue	<u>6,124,736</u>	<u>16,924,868</u>	<u>4,807,445</u>	<u><b>27,857,049</b></u>	<u>35,896,367</u>	<u>16,337,678</u>	<u>20,439,730</u>	<u>19,606,884</u>	<u><b>120,137,708</b></u>	<u>99,925,385</u>
<b>With donor restrictions</b>										
<i>Support</i>										
Legal Services Corporation (LSC)										
Basic grant	-	660,012	382,133	<b>1,042,145</b>	4,166,728	2,000,263	2,468,754	2,896,934	<b>12,574,824</b>	11,754,460
Other grants	-	245,433	-	<b>245,433</b>	-	6,377	5,458	9,185	<b>266,453</b>	218,938
Attorney fees	-	528	-	<b>528</b>	924	372	15,377	23,210	<b>40,411</b>	4,642
Grants and Contributions	-	422,533	383,226	<b>805,759</b>	849,223	557,257	463,667	439,355	<b>3,115,261</b>	4,174,492
Total support	<u>-</u>	<u>1,328,506</u>	<u>765,359</u>	<u><b>2,093,865</b></u>	<u>5,016,875</u>	<u>2,564,269</u>	<u>2,953,256</u>	<u>3,368,684</u>	<u><b>15,996,949</b></u>	<u>16,152,532</u>
Net assets released from restrictions	(295,208)	(1,336,684)	(505,918)	<b>(2,137,810)</b>	(5,722,240)	(2,455,398)	(2,438,795)	(2,588,742)	<b>(15,342,985)</b>	(16,258,277)
Total with donor restrictions support and revenue	<u>(295,208)</u>	<u>(8,178)</u>	<u>259,441</u>	<u><b>(43,945)</b></u>	<u>(705,365)</u>	<u>108,871</u>	<u>514,461</u>	<u>779,942</u>	<u><b>653,964</b></u>	<u>(105,745)</u>
Total support and revenue	<u>5,829,528</u>	<u>16,916,690</u>	<u>5,066,886</u>	<u><b>27,813,104</b></u>	<u>35,191,002</u>	<u>16,446,549</u>	<u>20,954,191</u>	<u>20,386,826</u>	<u><b>120,791,672</b></u>	<u>99,819,640</u>

(continued)

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities (continued)  
Year Ended December 31, 2018  
(with summarized comparative information for the year ended December 31, 2017)

	Legal Services NYC				Constituent Corporations				Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2018	2017
<b>EXPENSES</b>										
<i>Personnel</i>										
Lawyers	\$ 400,172	\$ 1,638,828	\$ 1,830,058	\$ 3,869,058	\$ 9,108,491	\$ 4,514,620	\$ 4,469,368	\$ 6,692,694	\$ 28,654,231	\$ 26,426,399
Lawyers, donated services	3,641,323	12,372,616	596,404	16,610,343	12,656,026	4,166,969	8,936,279	1,986,250	44,355,867	28,278,750
Nonlawyers	3,822,523	895,994	626,479	5,344,996	3,031,981	1,649,816	1,769,044	2,759,683	14,555,520	12,275,992
Fringe benefits	1,321,910	1,078,437	796,977	3,197,324	5,174,055	2,398,620	2,463,569	3,534,307	16,767,875	15,082,412
Provision for vacation leave	86,921	-	25,260	112,181	150,597	150,569	45,303	107,586	566,236	351,865
Total personnel	9,272,849	15,985,875	3,875,178	29,133,902	30,121,150	12,880,594	17,683,563	15,080,520	104,899,729	82,415,418
<i>Other than personnel costs</i>										
Consultants and contract services	814,716	12,604	24,646	851,966	231,770	40,229	63,522	60,518	1,248,005	1,439,598
Travel	24,144	23,441	8,650	56,235	52,990	25,726	11,056	36,984	182,991	172,408
Space	470,888	93,308	160,665	724,861	1,548,433	949,047	774,624	729,284	4,726,249	4,543,381
Consumable supplies	174,250	58,518	22,857	255,625	187,828	104,687	70,442	246,388	864,970	805,469
Telephone	53,242	33,652	38,848	125,742	266,548	125,230	116,168	165,846	799,534	569,569
Insurance	292,031	-	-	292,031	-	-	-	-	292,031	285,574
Equipment rental, maintenance, etc.	145,670	22,800	20,739	189,209	196,576	90,687	66,773	126,539	669,784	776,681
Depreciation and amortization	499,374	42,776	9,475	551,625	71,223	42,713	202,600	142,480	1,010,641	918,037
Litigation cost	5,986	42,560	32,378	80,924	123,409	56,816	71,884	96,216	429,249	476,273
Other	475,179	56,011	54,364	585,554	258,368	217,828	46,385	460,262	1,568,397	941,916
Bad debt	-	-	2,314	2,314	5,677	737	-	-	8,728	8,921
Payments to other organizations	1,429,796	66,000	1,162	1,496,958	160,731	86,979	143,665	256,202	2,144,535	2,882,212
Loss on disposal	5,796	11,756	283	17,835	-	363	148	12,804	31,150	-
Intercompany expense allocation	(8,504,824)	528,759	494,963	(7,481,102)	2,545,299	1,394,540	1,439,343	2,101,920	-	-
Total other than personnel costs	(4,113,752)	992,185	871,344	(2,250,223)	5,648,852	3,135,582	3,006,610	4,435,443	13,976,264	13,820,039
Total expenses	5,159,097	16,978,060	4,746,522	26,883,679	35,770,002	16,016,176	20,690,173	19,515,963	118,875,993	96,235,457
<i>Change in net asset before other changes:</i>										
Without donor restrictions - undesignated	965,639	(53,192)	60,923	973,370	126,365	321,502	(250,443)	90,921	1,261,715	3,689,928
Total without donor restrictions	965,639	(53,192)	60,923	973,370	126,365	321,502	(250,443)	90,921	1,261,715	3,689,928
With donor restrictions	(295,208)	(8,178)	259,441	(43,945)	(705,365)	108,871	514,461	779,942	653,964	(105,745)
Total	670,431	(61,370)	320,364	929,425	(579,000)	430,373	264,018	870,863	1,915,679	3,584,183

(continued)

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities  
Year Ended December 31, 2018  
(with summarized comparative information for the year ended December 31, 2017)

	Legal Services NYC				Constituent Corporations				Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2018	2017
<i>Other Changes in Net Assets:</i>										
Without donor restrictions - undesignated:										
Transfer from undesignated to board-designated	-	-	-	-	-	-	-	-	-	(700,000)
Without donor restrictions - board-designated:										
Transfer from undesignated to board-designated	-	-	-	-	-	-	-	-	-	700,000
Change in net assets:										
Without donor restrictions - undesignated	965,639	(53,192)	60,923	<b>973,370</b>	126,365	321,502	(250,443)	90,921	<b>1,261,715</b>	2,989,928
Without donor restrictions - board-designated	-	-	-	-	-	-	-	-	-	700,000
Total unrestricted	965,639	(53,192)	60,923	<b>973,370</b>	126,365	321,502	(250,443)	90,921	<b>1,261,715</b>	3,689,928
Temporarily restricted	(295,208)	(8,178)	259,441	<b>(43,945)</b>	(705,365)	108,871	514,461	779,942	<b>653,964</b>	(105,745)
Total	670,431	(61,370)	320,364	<b>929,425</b>	(579,000)	430,373	264,018	870,863	<b>1,915,679</b>	3,584,183
<i>Net assets at beginning of year</i>										
Without donor restrictions - undesignated	6,278,425	257,602	343,755	<b>6,879,782</b>	(1,279,124)	(35,303)	963,655	908,687	<b>7,437,697</b>	4,447,769
Without donor restrictions - board-designated	5,647,407	-	-	<b>5,647,407</b>	-	-	-	-	<b>5,647,407</b>	4,947,407
Total unrestricted	11,925,832	257,602	343,755	<b>12,527,189</b>	(1,279,124)	(35,303)	963,655	908,687	<b>13,085,104</b>	9,395,176
With donor restrictions	295,208	59,682	553,737	<b>908,627</b>	4,780,854	1,541,448	2,394,433	2,728,471	<b>12,353,833</b>	12,459,578
Total	12,221,040	317,284	897,492	<b>13,435,816</b>	3,501,730	1,506,145	3,358,088	3,637,158	<b>25,438,937</b>	21,854,754
<i>Net assets at end of year</i>										
Without donor restrictions - undesignated	7,244,064	204,410	404,678	<b>7,853,152</b>	(1,152,759)	286,199	713,212	999,608	<b>8,699,412</b>	7,437,697
Without donor restrictions - board-designated	5,647,407	-	-	<b>5,647,407</b>	-	-	-	-	<b>5,647,407</b>	5,647,407
Total unrestricted	12,891,471	204,410	404,678	<b>13,500,559</b>	(1,152,759)	286,199	713,212	999,608	<b>14,346,819</b>	13,085,104
With donor restrictions	-	51,504	813,178	<b>864,682</b>	4,075,489	1,650,319	2,908,894	3,508,413	<b>13,007,797</b>	12,353,833
Total	<b>\$ 12,891,471</b>	<b>\$ 255,914</b>	<b>\$ 1,217,856</b>	<b>\$ 14,365,241</b>	<b>\$ 2,922,730</b>	<b>\$ 1,936,518</b>	<b>\$ 3,622,106</b>	<b>\$ 4,508,021</b>	<b>\$ 27,354,616</b>	<b>\$ 25,438,937</b>

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Cash Flows  
Year Ended December 31, 2018  
(with summarized comparative information for the year ended December 31, 2017)

	Legal Services NYC				Constituent Corporations				Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Change in net assets	\$ 670,431	\$ (61,370)	\$ 320,364	\$ 929,425	\$ (579,000)	\$ 430,373	\$ 264,018	\$ 870,863	\$ 1,915,679	\$ 3,584,183
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities</i>										
Depreciation and amortization	499,374	42,776	9,475	551,625	71,223	42,713	202,600	142,480	1,010,641	918,037
Loss on disposal	5,796	11,755	283	17,834	-	359	153	12,804	31,150	-
Changes in operating assets and liabilities:										
(Increase) decrease in government and private contracts receivable	184,495	(170,617)	(230,215)	(216,337)	(2,252,051)	(2,396,348)	(1,195,102)	(2,980,297)	(9,040,135)	1,593,857
Decrease (increase) in grants and contributions receivable	5,369	61,386	38,784	105,539	276,291	25,554	123,244	(67,442)	463,186	(274,735)
Increase in other receivable	(33,162)	50	(39)	(33,151)	(4,474)	(4,391)	(590)	3,020	(39,586)	(7,291)
(Increase) decrease in prepayments	(54,021)	(3,223)	(125)	(57,369)	(22,957)	(466)	(1,898)	(5,937)	(88,627)	128,313
Decrease (increase) in escrow accounts	-	-	(26,935)	(26,935)	(154,165)	57,377	88,854	130,246	95,377	(168,670)
(Increase) decrease in intercompany receivables	(6,042,679)	-	(202,132)	(6,244,811)	-	-	-	639,360	(5,605,451)	3,987,861
Increase in accounts payable and accrued expenses	461,889	34,430	46,606	542,925	138,708	173,848	152,649	202,522	1,210,652	77,356
Increase (decrease) in contract advances	86,982	-	(6,461)	80,521	50,967	2,330	(1,750)	23,860	155,928	(130,436)
Increase (decrease) in intercompany payables	-	113,795	-	113,795	2,204,813	1,585,901	431,899	1,269,043	5,605,451	(3,987,861)
Increase in accrued vacation leave payable	86,920	-	25,259	112,179	150,597	150,569	45,303	107,586	566,234	351,866
(Decrease) increase in escrow account	-	-	26,935	26,935	154,165	(57,377)	(88,854)	(130,246)	(95,377)	168,670
Decrease in deferred rent obligations	(152,246)	-	-	(152,246)	130,666	12,079	-	(54,571)	(64,072)	(21,718)
Net cash (used in) provided by operating activities	(4,280,852)	28,982	1,799	(4,250,071)	164,783	22,521	20,526	163,291	(3,878,950)	6,219,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Security deposits made	-	-	(1,799)	(1,799)	(48,251)	(6,985)	(13,304)	-	(70,339)	(56,396)
Security deposits returned	(652)	-	-	(652)	-	-	-	-	(652)	-
Purchases of property and equipment	(15,282)	(28,982)	-	(44,264)	(94,921)	(15,536)	(7,222)	(163,291)	(325,234)	(1,264,097)
Net cash used in investing activities	(15,934)	(28,982)	(1,799)	(46,715)	(143,172)	(22,521)	(20,526)	(163,291)	(396,225)	(1,320,493)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Repayment of notes payable	(32,046)	-	-	(32,046)	(21,111)	-	-	-	(53,157)	(591,302)
Net cash used in financing activities	(32,046)	-	-	(32,046)	(21,111)	-	-	-	(53,157)	(591,302)
Net change in cash and cash equivalents	(4,328,832)	-	-	(4,328,832)	500	-	-	-	(4,328,332)	4,307,637
Cash and cash equivalents at beginning of year	6,806,532	-	2,000	6,808,532	10,400	6,000	3,000	7,600	6,835,532	2,527,895
Cash and cash equivalents at end of year	\$ 2,477,700	\$ -	\$ 2,000	\$ 2,479,700	\$ 10,900	\$ 6,000	\$ 3,000	\$ 7,600	\$ 2,507,200	\$ 6,835,532
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>										
Cash paid for interest	\$ 8,399	\$ -	\$ -	\$ 8,399	\$ 4,792	\$ -	\$ -	\$ -	\$ 13,191	\$ 66,009
Acquisition of property and equipment through capital leases, lease incentives, and notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,456