

# **Legal Services NYC and Constituent Corporations**

Consolidated Financial Report  
and Supplementary Information  
December 31, 2021

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Legal Services NYC and Constituent Corporations

### Opinion

We have audited the consolidated financial statements of Legal Services NYC and its Constituent Corporations (collectively, Legal Services NYC), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities 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 Legal Services NYC as of December 31, 2021, and the changes in their net assets and their 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). 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 Legal Services NYC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 Legal Services NYC'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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Legal services NYC'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 Legal Services NYC'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.

#### **Report on Summarized Comparative Information**

We have previously audited Legal Services NYC's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

New York, New York  
September 30, 2022

## **FINANCIAL STATEMENTS**

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**  
Consolidated Statement of Financial Position  
December 31, 2021

(With summarized comparative information as of December 31, 2020)

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<i>Current assets</i>		
Cash and cash equivalents	\$ 14,841,130	\$ 10,629,323
Government and private contracts receivable	20,507,282	18,709,403
Grants and contributions receivable	1,749,420	1,396,457
Other receivable	266,449	189,437
Prepayments	313,455	216,196
Escrow accounts	385,351	590,530
Total current assets	<u>38,063,087</u>	<u>31,731,346</u>
<i>Other assets</i>		
Property, equipment, and law libraries, net	7,280,719	7,657,901
Security deposits	637,758	792,828
Certificate of deposit	869,062	670,414
Total assets	<u>\$ 46,850,626</u>	<u>\$ 40,852,489</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 4,447,046	\$ 3,867,426
Notes payable, current portion	14,173	44,536
Contract advances	6,877,550	3,707,501
Accrued vacation leave payable	7,194,404	6,251,802
Due to grantor	14,792	14,792
Line of credit	3,500,000	-
Escrow accounts	385,351	590,530
Total current liabilities	<u>22,433,316</u>	<u>14,476,587</u>
<i>Long-term debt and other obligations</i>		
Notes payable, less current portion	-	14,173
Deferred rent obligations	1,852,300	1,664,442
Total liabilities	<u>24,285,616</u>	<u>16,155,202</u>
Commitments and contingencies (note 11)		
<i>Net assets</i>		
Net assets without donor restrictions:		
Undesignated	15,841,589	18,392,809
Board-designated	5,662,407	5,647,407
Legal Services Corporation - Property	291,672	292,125
Total net assets without donor restrictions	<u>21,795,668</u>	<u>24,332,341</u>
Net assets with donor restrictions:		
Total net assets	<u>769,342</u>	<u>364,946</u>
Total liabilities and net assets	<u>\$ 46,850,626</u>	<u>\$ 40,852,489</u>

See notes to consolidated financial statements.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Consolidated Statement of Activities

Years Ended December 31, 2021

(With summarized comparative information for the year ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>SUPPORT AND REVENUE</b>				
<i>Grants and contributions</i>				
Legal Services Corporation (LSC)				
Basic	\$ 14,485,229	\$ -	\$ 14,485,229	\$ 13,420,269
LSC attorney fees	25,415	-	25,415	-
Other grants	425,654	-	425,654	1,883,416
Interest on Lawyers' Account (IOLA)	5,261,183	-	5,261,183	5,094,169
Donated services	47,356,904	-	47,356,904	37,069,980
Fund-raising events	1,720,359	-	1,720,359	1,479,119
Private grants and contributions	596,061	2,905,539	3,501,600	3,893,492
Private grants and contributions - board-designed	15,000	-	15,000	-
Total grants and contributions	<u>69,885,805</u>	<u>2,905,539</u>	<u>72,791,344</u>	<u>62,840,445</u>
<i>Revenue</i>				
Government and private contracts	66,595,245	-	66,595,245	61,976,933
Attorney fees	383,673	-	383,673	290,033
Interest	24,472	-	24,472	16,582
Other revenue	27,856	-	27,856	310
Total revenue	<u>67,031,246</u>	<u>-</u>	<u>67,031,246</u>	<u>62,283,858</u>
Net assets released from restrictions	2,501,143	(2,501,143)	-	-
Total support and revenue	<u>139,418,194</u>	<u>404,396</u>	<u>139,822,590</u>	<u>125,124,303</u>
<b>EXPENSES</b>				
<i>Personnel</i>				
Lawyers	37,452,626	-	37,452,626	34,123,343
Lawyers, donated services	47,356,904	-	47,356,904	37,069,980
Nonlawyers	20,079,612	-	20,079,612	18,755,015
Fringe benefits	21,191,225	-	21,191,225	19,953,810
Provision for vacation leave	942,601	-	942,601	1,477,886
Total personnel	<u>127,022,968</u>	<u>-</u>	<u>127,022,968</u>	<u>111,380,034</u>
<i>Other than personnel costs</i>				
Consultants and contract services	2,071,265	-	2,071,265	1,477,691
Travel	80,086	-	80,086	83,900
Space	5,342,103	-	5,342,103	5,190,458
Consumable supplies	548,451	-	548,451	627,986
Telephone	1,149,643	-	1,149,643	1,058,899
Insurance	312,223	-	312,223	292,449
Equipment rental, maintenance, etc.	804,504	-	804,504	793,390
Depreciation and amortization	903,511	-	903,511	1,121,183
Litigation cost	494,885	-	494,885	886,872
Other	1,166,636	-	1,166,636	1,374,782
Bad debt	397,529	-	397,529	596,255
Payments to other organizations	1,661,063	-	1,661,063	1,828,086
Total other than personnel costs	<u>14,931,899</u>	<u>-</u>	<u>14,931,899</u>	<u>15,331,951</u>
Total expenses	<u>141,954,867</u>	<u>-</u>	<u>141,954,867</u>	<u>126,711,985</u>
Change in net assets before other changes	(2,536,673)	404,396	(2,132,277)	(1,587,682)
Other changes in net assets:				
Reclassification in accordance with LSC Program Letter 20-4	-	-	-	(677,873)
Change in net assets	<u>(2,536,673)</u>	<u>404,396</u>	<u>(2,132,277)</u>	<u>(2,265,555)</u>
Net assets at beginning of year	<u>24,332,341</u>	<u>364,946</u>	<u>24,697,287</u>	<u>26,962,842</u>
Net assets at end of year	<u>\$ 21,795,668</u>	<u>\$ 769,342</u>	<u>\$ 22,565,010</u>	<u>\$ 24,697,287</u>

See notes to consolidated financial statements.

**LEGAL SERVICES NYC  
AND CONSTITUENT CORPORATIONS**

Consolidated Statement of Cash Flows

Years Ended December 31, 2021

(With summarized comparative information for the year ended December 31, 2020)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2021</b>	<b>2020</b>
Change in net assets	\$ (2,132,277)	\$ (2,265,555)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	903,511	1,121,183
Bad debt	397,529	596,255
Changes in operating assets and liabilities:		
(Increase) decrease in government and private contracts receivable	(2,195,408)	7,754,328
Increase in grants and contributions receivable	(352,963)	(333,296)
(Increase) decrease in other receivable	(77,012)	109,595
(Increase) decrease in prepayments	(97,259)	19,039
Decrease in security deposits	155,070	28,704
Decrease in escrow accounts	205,179	177,410
Increase (decrease) in accounts payable and accrued expenses	579,620	(597,211)
Increase in contract advances	3,170,049	3,290,911
Increase in accrued vacation leave payable	942,602	1,477,886
Decrease in escrow account	(205,179)	(177,410)
Increase (decrease) in deferred rent obligations	187,858	(179,861)
<b>Net cash provided by operating activities</b>	<b>1,481,320</b>	<b>11,021,978</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of a certificate of deposit	(198,648)	(670,414)
Purchases of property and equipment	(526,329)	(541,106)
<b>Net cash used in investing activities</b>	<b>(724,977)</b>	<b>(1,211,520)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable	(44,536)	(59,952)
Proceeds from line of credit	3,500,000	-
<b>Net cash provided by (used in) financing activities</b>	<b>3,455,464</b>	<b>(59,952)</b>
Net change in cash and cash equivalents	4,211,807	9,750,506
Cash and cash equivalents at beginning of year	10,629,323	878,817
Cash and cash equivalents at end of year	<b>\$ 14,841,130</b>	<b>\$ 10,629,323</b>
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<b>\$ 40,310</b>	<b>\$ 4,078</b>

See notes to consolidated financial statements.



**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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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 are 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).

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

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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**NOTE 1 ORGANIZATION (CONTINUED)**

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.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid deposits with an original maturity of three months or less.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

3.    Fair Value Measurements

Legal Services NYC's assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that Legal Services NYC has the ability to access at the measurement date.

Level 2: Valuations derived from inputs other than quoted market prices for identical assets and liabilities that are observable either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3: Valuations are derived from techniques that require significant unobservable inputs. Legal Services NYC has no assets or liabilities measured at fair value in the Level 3 category.

4.    Certificate of Deposit

Certificate of deposit matures five years after date of issuance. At December 31, 2021 and 2020, the certificate of deposit of \$869,062 and \$670,414, respectively, is valued at amortized cost plus accrued interest, which approximates fair value.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**  
Notes to Consolidated Financial Statements  
December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

The following table presents Legal Services NYC’s fair value hierarchy for assets measured at fair value on a recurring basis:

Description	December 31, 2021			
	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 869,062	\$ -	\$ 869,062	\$ -
Total	\$ 869,062	\$ -	\$ 869,062	\$ -

Description	December 31, 2020			
	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 670,414	\$ -	\$ 670,414	\$ -
Total	\$ 670,414	\$ -	\$ 670,414	\$ -

5. Escrow Accounts

Escrow accounts are for depositing cash received from clients as advance payment for court costs. This cash is returned to client when the case is resolved. The escrow accounts are reported as assets and liabilities on the consolidated statements of financial position.

6. 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. Conditional pledges are not included as revenue until the conditions, which represent barriers that must be overcome before Legal Services NYC is entitled to the assets transferred, are fulfilled (See section 8).

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

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 statements 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 that also considers the risk factors of the donor at the time the receivable is recorded. Legal Services NYC expects to collect all private grants and contributions receivable within one year. 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. There was no allowance for doubtful grants and contributions for 2021 and 2020.

7. Government and Private Contracts

Revenue from government and private contracts are considered non-exchange transactions. 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. An amount of the contract balance for the remaining contract period is not recognized as revenue until barriers are overcome. Contract payments in excess of qualified expenses or performance are reported as contract advances. Contract advances were \$6,877,550 and \$3,707,501 as of December 31, 2021 and 2020, respectively. Donor restricted government and private contract revenue is recognized directly as revenue without donor restrictions if the restriction is met in the same period that the revenue is recognized.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

8.    Conditional Receivables

Conditional receivables, which contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, shall be recognized when the condition or conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. As of December 31, 2021 and 2020, Legal Services NYC has outstanding unrecorded conditional receivables of approximately \$37,700,000 and \$26,600,000, respectively, from contributions, grants and contracts.

9.    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.

10. Attorney Fees

Legal Services NYC receives attorney fees as payment for damages awarded and/or statutory benefits. Attorney fees revenue is recognized when the notice of the payment is received.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

11. Property, Equipment, and Law Libraries

Purchase of property, equipment and law libraries in excess of \$5,000 per unit are capitalized. 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
Computers	5 years

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

12. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

13. Income Taxes

As exempt organizations, Legal Services NYC and the CCs are subject to taxes on unrelated business income (UBIT), if applicable. For the years ended December 31, 2021 and 2020, Legal Services NYC and CCs did not owe any UBIT. Legal Services NYC and CCs are not classified as private foundations. The amount paid for 2018 UBIT in the amount of \$132,000 is to be refunded to Legal Services NYC and is included in the other receivable balance in the consolidated statement of financial position as of December 31, 2021 and 2020.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

Management has evaluated the income tax positions of Legal Services NYC and the CCs for the years ended December 31, 2021 and 2020 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 2018.

14. Reclassification:

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

15. 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 September 30, 2022.

16. Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. In June 2020, the FASB issued ASU 2020-05, which defers the effective of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. Legal Services NYC is currently evaluating the impact of this ASU on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This update represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The Update is effective for 2023. Legal Services NYC is currently evaluating the impact of this ASU on the consolidated financial statements.



**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. Legal Services NYC is evaluating the impact of this ASU on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update clarifies the presentation and disclosure of contributed nonfinancial assets, including fixed assets and other items. The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The Update is effective for 2022 with early adoption permitted. Legal Services NYC is currently evaluating the impact of this ASU on the consolidated financial statements.

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

Legal Services NYC is funded by grants from 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. As of December 31, 2021 and 2020, the unexpended basic grant award funds for use in the future period were less than 1% and 4%, respectively. 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.

**LEGAL SERVICE NYC  
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Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

**NOTE 3      LEGAL SERVICES CORPORATION GRANT AND EXCESS FUND  
BALANCE (CONTINUED)**

Pursuant to the Accounting Guide for LSC Recipients, Legal Services NYC previously recognized grant revenue from LSC as restricted support in the year of receipt. LSC funds were released from restriction when the program purpose was satisfied. Pursuant to the LSC Program Letter 20-4, Legal Services NYC reclassified the 2020 opening LSC net assets balance of \$677,873 from net assets with donor restrictions to contract advances. In addition, there was an additional reclassification of \$293,828 from net assets with restrictions to net assets without restrictions, pursuant to the LSC Program Letter 20-4.

The LSC revenue recognized in 2021 and 2020 was \$14,936,298 and \$15,303,685, respectively. The excess of cash receipts from grant awards and LSC attorney fees over program qualifying expenditures, in the amount of \$15,160 and \$658,878 as of December 31, 2021 and 2020, respectively is included in contract advances on the consolidated statements of financial position. The revenue recognized of \$96,746 in TIG grant represents the adjustment for program expenditures that were already recognized in the prior years.

	2021							
	Basic Field	TIG	Pro Bono Military Monday	Pro Bono Tenant	Pro Bono Innovation	Pro Bono Public Benefits		Total
Beginning Balance of Contract Advance, 1/1/2021	\$ 483,685	\$ 108,746	\$ 65,736	\$ -	\$ 711	\$ -		\$ 658,878
Beginning Balance of receivables, 1/1/2021	-			(35,580)				(35,580)
Cash Received in 2021	14,010,606	-	32,557	62,133	-	-		14,105,296
Attorney fees	18,802	-	-	-	-	-		18,802
Revenue in 2021	(14,510,644)	(96,746)	(130,850)	(141,200)	-	(56,858)		(14,936,298)
Ending balance of receivables, 12/31/2021	-	-	32,557	114,647	-	56,858		204,062
Ending Balance of Contract Advance, 12/31/2021	<u>\$ 2,449</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 711</u>	<u>\$ -</u>		<u>\$ 15,160</u>

  

	2020							
	Basic Field	TIG	Pro Bono Military Monday	Pro Bono Tenant	Pro Bono Innovation	COVID-19 Response	Telework Capacity Building	Total
Beginning Balance of Contract Advance, 1/1/2020	\$ 568,416	\$ 108,746	\$ 84,296	\$ 42,359	\$ 711	\$ -	\$ -	\$ 804,528
Cash Received in 2020	13,259,862	-	65,114	124,266	-	1,572,537	25,000	15,046,779
Attorney fees	75,676	-	-	-	-	-	-	75,676
Revenue in 2020	(13,420,269)	-	(83,674)	(202,205)	-	(1,572,537)	(25,000)	(15,303,685)
Ending balance of receivables, 12/31/2020	-	-	-	35,580	-	-	-	35,580
Ending Balance of Contract Advance, 12/31/2020	<u>\$ 483,685</u>	<u>\$ 108,746</u>	<u>\$ 65,736</u>	<u>\$ -</u>	<u>\$ 711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 658,878</u>

**LEGAL SERVICE NYC  
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Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

Property, equipment, and law libraries as of December 31, 2021 and 2020 are detailed as follows:

Asset Description	2021		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
Building	\$ 4,914,190	\$ 1,214,903	\$ 3,699,287
Leasehold improvements	7,035,544	4,802,958	2,232,586
Furnitures, fixtures, and equipment	4,713,051	3,371,109	1,341,942
Law libraries	59,759	52,855	6,904
Total	\$ 16,722,544	\$ 9,441,825	\$ 7,280,719

Asset Description	2020		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
Building	\$ 4,914,190	\$ 1,013,022	\$ 3,901,168
Leasehold improvements	6,969,254	4,407,941	2,561,313
Furnitures, fixtures, and equipment	4,260,684	3,065,751	1,194,933
Law libraries	52,087	51,600	487
Total	\$ 16,196,215	\$ 8,538,314	\$ 7,657,901

Depreciation and amortization expenses were \$903,511 and \$1,121,183 for the years ended December 31, 2021 and 2020, respectively.

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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, 2020)

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

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.

LSC property, equipment, and law libraries as of December 31, 2021 and 2020 are detailed as follows:

Asset Description	2021		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
Leasehold improvements	\$ 984,167	\$ 775,557	\$ 208,610
Furnitures, fixtures, and equipment	128,658	52,500	76,158
Library	7,672	768	6,904
Total	\$ 1,120,497	\$ 828,825	\$ 291,672
	2020		
Asset Description	Cost	Accumulated Depreciation and Amortization	Net Book Value
Leasehold improvements	\$ 974,104	\$ 717,963	\$ 256,141
Furnitures, fixtures, and equipment	68,966	32,982	35,984
Total	\$ 1,043,070	\$ 750,945	\$ 292,125

**LEGAL SERVICE 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, 2020)

**NOTE 5 GOVERNMENT AND PRIVATE CONTRACTS RECEIVABLE**

At December 31, 2021 and 2020, government and private contracts receivable consisted of the following:

	2021	2020
Federal	\$ 872,520	\$ 662,652
New York State	7,501,331	10,121,178
New York City	11,256,880	7,011,798
Private contracts	876,551	913,775
	<u>\$ 20,507,282</u>	<u>\$ 18,709,403</u>

This amount includes \$798,721 from unexecuted and/or unregistered contracts with the City of New York as of September 30, 2022. 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.

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

Government and private contracts revenue for the years ended December 31, 2021 and 2020, are summarized as follows:

	2021	2020
Federal	\$ 777,768	\$ 1,278,245
New York State	16,478,236	17,308,512
New York City	47,664,962	41,661,184
Private contracts	1,674,279	1,728,992
	<u>\$ 66,595,245</u>	<u>\$ 61,976,933</u>

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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, 2020)

**NOTE 7      NOTES PAYABLE**

Notes payable are for financing the purchase of capital equipment and leasehold improvement. Notes payable balance at December 31, 2021 and 2020, consist of the following:

	2021	2020
Note payable, 5.0%, due November 2022	\$ 14,173	\$ 28,912
Note payable, 7.5%, due September 2021	-	29,797
	14,173	58,709
Total	14,173	58,709
Less current portion	14,173	44,536
	\$ -	\$ 14,173

Future aggregate principal payments of these notes are as follows:

<u>Years ending December 31:</u>	
2022	\$ 14,173
Total	\$ 14,173

**NOTE 8      ACCRUED VACATION LEAVE PAYABLE**

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

The accumulated vacation obligation as of December 31, 2021 and 2020 was as follows:

	2021	2020
Management personnel	\$ 2,468,510	\$ 2,147,133
Non-management personnel	4,725,894	4,104,669
	\$ 7,194,404	\$ 6,251,802

**LEGAL SERVICE NYC  
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Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2021 and 2020, are available to satisfy time and program restricted purposes. The changes in Legal Services NYC's net assets with donor restrictions are summarized below:

Purpose /Funding Source	Balance January 1, 2021	Revenue	Release from Restrictions	Balance December 31, 2021
Time and program restricted purposes	\$ 364,946	\$ 2,905,539	\$ (2,501,143)	\$ 769,342
<b>Total</b>	<u>\$ 364,946</u>	<u>\$ 2,905,539</u>	<u>\$ (2,501,143)</u>	<u>\$ 769,342</u>

Purpose /Funding Source	Balance January 1, 2020	Revenue	Release from Restrictions	Reclassification in accordance with LSC Program Letter 20-4	Balance December 31, 2020
LSC					
Grant	\$ 677,873	\$ -	\$ -	\$ (677,873)	\$ -
Property	293,828	-	-	(293,828)	-
<b>Total LSC</b>	<u>971,701</u>	<u>-</u>	<u>-</u>	<u>(971,701)</u>	<u>-</u>
Time and program restricted purposes	577,828	3,213,725	(3,426,607)	-	364,946
<b>Total</b>	<u>\$ 1,549,529</u>	<u>\$ 3,213,725</u>	<u>\$ (3,426,607)</u>	<u>\$ (971,701)</u>	<u>\$ 364,946</u>

**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, 2021 and 2020 were approximately \$3,697,000 and \$3,282,000, respectively, and are included in fringe benefits on the consolidated statements of activities.

**LEGAL SERVICE NYC  
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Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

**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 September 30, 2036. 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:

<u>Year ending December 31,</u>	<u>Minimum Lease Payments</u>
2022	\$ 3,687,928
2023	4,424,784
2024	4,457,949
2025	4,131,174
2026	3,841,324
Thereafter	20,608,110
	\$ 41,151,269

Rent expense for the years ended December 31, 2021 and 2020 amounted to \$4,611,232 and \$4,557,020, respectively, and is included in space on the consolidated statements 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 has incentives from certain landlords for leasehold improvements amounting to \$237,792 and \$373,714 for the years ended December 31, 2021 and 2020, respectively. Such amount is included in leasehold improvements and deferred rent obligations in the accompanying consolidated statements of financial position and is being amortized over the terms of the leases.



**LEGAL SERVICE NYC  
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Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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

2. Contingent liabilities

There is no adverse litigation threatened or pending litigation in which an unfavorable determination may have an adverse effect on the financial or operating condition of Legal Services NYC.

3. 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.

3. Contingency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Legal Services NYC operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Legal Services NYC. Accordingly, management cannot presently estimate the overall operational and financial impact to Legal Services NYC.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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**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 \$47,356,904 and \$37,069,980 for the years ended December 31, 2021 and 2020, respectively, have been reflected in the accompanying consolidated statements of activities.

**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, 2021 and 2020 are held by one financial institution.

**NOTE 14      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, 2021 and 2020, the target reserve had a balance of \$5,662,407 and \$5,647,407, respectively. In 2021 and 2020, there were no additional authorizations made by the board.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**

Notes to Consolidated Financial Statements

December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

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**NOTE 15 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 and line of credit 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.

Financial assets at December 31,	2021	2020
Cash and cash equivalents	\$ 14,841,130	\$ 10,629,323
Government and private contracts receivable	20,507,282	18,709,403
Grants and contributions receivable	1,749,420	1,396,457
Other receivables	266,449	189,437
Financial assets available to meet cash needs for general expenditures within one year	\$ 37,364,281	\$ 30,924,620

**NOTE 16 LINE OF CREDIT**

In August 2020, Legal Services NYC entered into a revolving line of credit agreement with a bank for \$3,500,000 at 3.75% annual interest, in order to ensure continued liquidity in the face of mounting accounts receivables from contracts with the City of New York. In June 2022, the line of credit was extended through September 30, 2022, at 3.25% annual interest. On September 26, 2022, Legal Services NYC received a notification from the bank that the line of credit will be extended for additional 90 days through December 31, 2022. The subsequent renewal agreement is pending execution as of September 30, 2022. The line of credit is secured by various assets. There was an outstanding line of credit balance of \$3,500,000 and \$0 as of December 31, 2021 and 2020, respectively.

**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, general and fundraising are based on direct charges.

**LEGAL SERVICE NYC  
AND CONSTITUENT CORPORATIONS**  
Notes to Consolidated Financial Statements  
December 31, 2021

(With selected summarized comparative information as of and for the year ended December 31, 2020)

**NOTE 17      FUNCTIONAL EXPENSES (CONTINUED)**

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

	2021								2020	
	Program Services				Supporting Services				Total	Summarized Information
	Housing	Income Maintenance	Family	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
<i>Personnel</i>										
Lawyers	\$ 18,649,566	\$ 7,011,401	\$ 2,602,792	\$ 8,599,952	\$ 36,863,711	\$ 588,915	\$ -	\$ 588,915	\$ 37,452,626	\$ 34,123,343
Lawyers, donated services	23,803,113	8,948,904	3,322,038	10,976,429	47,050,484	306,420	-	306,420	47,356,904	37,069,980
Nonlawyers	7,594,044	2,855,020	1,059,849	3,501,873	15,010,786	4,652,047	416,779	5,068,826	20,079,612	18,755,015
Fringe benefits	9,553,448	3,591,669	1,333,309	4,405,422	18,883,848	2,134,064	173,313	2,307,377	21,191,225	19,953,810
Provision for vacation leave	401,883	151,090	56,088	185,322	794,383	148,218	-	148,218	942,601	1,477,886
Total personnel	60,002,054	22,558,084	8,374,076	27,668,998	118,603,212	7,829,664	590,092	8,419,756	127,022,968	111,380,034
<i>Other than personnel costs</i>										
Consultants and contract services	283,444	106,562	39,558	130,706	560,270	1,504,983	6,012	1,510,995	2,071,265	1,477,691
Travel	31,808	11,958	4,439	14,668	62,873	17,035	178	17,213	80,086	83,900
Space	2,397,276	901,269	334,571	1,105,466	4,738,582	603,521	-	603,521	5,342,103	5,190,458
Consumable supplies	227,061	85,365	31,689	104,705	448,820	71,819	27,812	99,631	548,451	627,986
Telephone	542,758	204,053	75,749	250,284	1,072,844	76,249	550	76,799	1,149,643	1,058,899
Insurance	-	-	-	-	-	312,223	-	312,223	312,223	292,449
Equipment rental, maintenance, etc.	301,390	113,309	42,063	138,981	595,743	200,596	8,165	208,761	804,504	793,390
Depreciation and amortization	274,629	103,248	38,328	126,641	542,846	360,665	-	360,665	903,511	1,121,183
Litigation cost	240,660	90,477	33,587	110,977	475,701	18,560	624	19,184	494,885	886,872
Other	295,605	111,356	41,338	137,735	586,034	525,572	55,030	580,602	1,166,636	1,374,782
Bad debt	201,112	75,609	28,068	92,740	397,529	-	-	-	397,529	596,255
Payments to other organizations	151,401	56,920	21,130	69,816	299,267	1,361,796	-	1,361,796	1,661,063	1,828,086
Total other than personnel costs	4,947,144	1,860,126	690,520	2,282,719	9,780,509	5,053,019	98,371	5,151,390	14,931,899	15,331,951
Total expenses - 2021	\$ 64,949,198	\$ 24,418,210	\$ 9,064,596	\$ 29,951,717	\$ 128,383,721	\$ 12,882,683	\$ 688,463	\$ 13,571,146	\$ 141,954,867	\$ 126,711,985

## **CONSOLIDATING INFORMATION**

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Financial Position  
December 31, 2021  
(With Summarized Comparative Financial Information as of 12/31/2020)

	Legal Services NYC				Constituent Corporations					Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	Eliminations	2021	2020
<b>ASSETS</b>											
<i>Current assets</i>											
Cash and cash equivalents	\$ 14,811,630	\$ -	\$ 2,000	\$ 14,813,630	\$ 10,900	\$ 6,000	\$ 3,000	\$ 7,600	\$ -	\$ 14,841,130	\$ 10,629,323
Government and private contracts receivable	463,361	596,474	1,556,326	2,616,161	3,874,104	3,103,554	5,764,938	5,148,525	-	20,507,282	18,709,403
Grants and contributions receivable	203,458	385,619	52,171	641,248	78,079	404,265	167,966	457,862	-	1,749,420	1,396,457
Other receivable	124,538	-	2,824	127,362	12,027	104,583	7,914	14,563	-	266,449	189,437
Prepayments	237,219	1,744	7,072	246,035	33,499	8,975	8,611	16,335	-	313,455	216,196
Intercompany receivables	1,966,611	-	-	1,966,611	54,836	-	-	2,617,671	(4,639,118)	-	-
Escrow accounts	-	-	3,911	3,911	221,367	27,313	76,819	55,941	-	385,351	590,530
Total current assets	17,806,817	983,837	1,624,304	20,414,958	4,284,812	3,654,690	6,029,248	8,318,497	(4,639,118)	38,063,087	31,731,346
<i>Other Assets</i>											
Property, equipment, and law libraries, net	4,609,881	35,275	24,567	4,669,723	713,621	248,441	845,331	803,603	-	7,280,719	7,657,901
Security deposits	22,930	-	5,522	28,452	135,965	44,173	294,388	134,780	-	637,758	792,828
Certificate of deposit	869,062	-	-	869,062	-	-	-	-	-	869,062	670,414
Total assets	\$ 23,308,690	\$ 1,019,112	\$ 1,654,393	\$ 25,982,195	\$ 5,134,398	\$ 3,947,304	\$ 7,168,967	\$ 9,256,880	\$ (4,639,118)	\$ 46,850,626	\$ 40,852,489
<b>LIABILITIES AND NET ASSETS</b>											
<i>Current liabilities</i>											
Accounts payable and accrued expenses	\$ 3,718,058	\$ 38,522	\$ 12,310	\$ 3,768,890	\$ 380,641	\$ 158,769	\$ 70,803	\$ 67,943	\$ -	\$ 4,447,046	3,867,426
Notes payable, current portion	-	-	-	-	14,173	-	-	-	-	14,173	44,536
Contract advances	1,581,608	188	152,662	1,734,458	387,281	197,319	1,716,281	2,842,211	-	6,877,550	3,707,501
Accrued vacation leave payable	1,150,607	-	374,374	1,524,981	1,896,445	1,137,467	999,442	1,636,069	-	7,194,404	6,251,802
Due to grantor	-	-	-	-	11,754	3,038	-	-	-	14,792	14,792
Intercompany payables	-	1,481,135	226,450	1,707,585	-	118,490	2,813,043	-	(4,639,118)	-	-
Line of credit	3,500,000	-	-	3,500,000	-	-	-	-	-	3,500,000	-
Escrow accounts	-	-	3,911	3,911	221,367	27,313	76,819	55,941	-	385,351	590,530
Total current liabilities	9,950,273	1,519,845	769,707	12,239,825	2,911,661	1,642,396	5,676,388	4,602,164	(4,639,118)	22,433,316	14,476,587
<i>Long-term debt and other obligations</i>											
Notes payable, less current portion	-	-	-	-	-	-	-	-	-	-	14,173
Deferred rent obligations	107,507	-	14,314	121,821	638,934	342,192	578,008	171,345	-	1,852,300	1,664,442
Total liabilities	10,057,780	1,519,845	784,021	12,361,646	3,550,595	1,984,588	6,254,396	4,773,509	(4,639,118)	24,285,616	16,155,202
<i>Net assets</i>											
Net assets without restrictions - undesignated	7,583,973	(625,731)	786,321	7,744,563	1,440,826	1,752,625	854,662	4,340,585	-	16,133,261	18,684,934
Net assets without restrictions - board-designated	5,662,407	-	-	5,662,407	-	-	-	-	-	5,662,407	5,647,407
Total net assets without donor restrictions	13,246,380	(625,731)	786,321	13,406,970	1,440,826	1,752,625	854,662	4,340,585	-	21,795,668	24,332,341
Net assets with donor restrictions	4,530	124,998	84,051	213,579	142,977	210,091	59,909	142,786	-	769,342	364,946
Total net assets	13,250,910	(500,733)	870,372	13,620,549	1,583,803	1,962,716	914,571	4,483,371	-	22,565,010	24,697,287
Total liabilities and net assets	\$ 23,308,690	\$ 1,019,112	\$ 1,654,393	\$ 25,982,195	\$ 5,134,398	\$ 3,947,304	\$ 7,168,967	\$ 9,256,880	\$ (4,639,118)	\$ 46,850,626	\$ 40,852,489

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities  
Year Ended December 31, 2021  
(With Summarized Comparative Financial Information for the year ended 12/31/2020)

	Legal Services NYC			Constituent Corporations				Total		
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2021	2020
<b>SUPPORT AND REVENUE</b>										
<b>Without donor restrictions</b>										
<i>Support</i>										
Legal Services Corporation (LSC)										
Basic grant	\$ -	\$ 673,466	\$ 436,910	\$ 1,110,376	\$ 4,774,572	\$ 2,358,436	\$ 2,995,781	\$ 3,246,064	\$ 14,485,229	\$ 13,420,269
LSC attorney fees	-	-	-	-	8,275	3,033	14,107	-	25,415	-
Other grants	51,960	345,246	-	397,206	18,117	7,202	2,229	900	425,654	1,883,416
Interest on Lawyers' Account (IOLA)	-	336,898	238,352	575,250	1,596,463	750,373	823,941	1,515,156	5,261,183	5,094,169
Donated services	306,420	27,235,985	947,816	28,490,221	5,381,234	2,162,724	5,093,537	6,229,188	47,356,904	37,069,980
Fund-raising events	1,025,750	-	-	1,025,750	212,809	481,800	-	-	1,720,359	1,479,119
Private grants and contributions	529,977	-	3,170	533,147	15,764	6,510	10,141	30,499	596,061	679,767
Private grants and contributions - board-designed	15,000	-	-	15,000	-	-	-	-	15,000	-
Total grants and contributions	1,929,107	28,591,595	1,626,248	32,146,950	12,007,234	5,770,078	8,939,736	11,021,807	69,885,805	59,626,720
<i>Revenue</i>										
Government and private contracts	914,791	2,121,502	3,961,927	6,998,220	18,276,629	11,541,535	10,619,351	19,159,510	66,595,245	61,976,933
Attorney fees	49,700	-	30,965	80,665	35,000	47,363	97,243	123,402	383,673	290,033
Interest	22,271	-	141	22,412	307	1,144	236	373	24,472	16,582
Other revenue	26,356	-	-	26,356	1,000	-	-	500	27,856	310
Total revenue	1,013,118	2,121,502	3,993,033	7,127,653	18,312,936	11,590,042	10,716,830	19,283,785	67,031,246	62,283,858
Net assets released from restrictions	2,038	391,002	152,894	545,934	765,452	531,715	232,594	425,448	2,501,143	3,426,607
Total without donor restrictions support and revenue	2,944,263	31,104,099	5,772,175	39,820,537	31,085,622	17,891,835	19,889,160	30,731,040	139,418,194	125,337,185
<b>With donor restrictions</b>										
<i>Support</i>										
Private grants and contributions	6,568	516,002	145,677	668,247	742,265	701,159	291,574	502,294	2,905,539	3,213,725
Total support	6,568	516,002	145,677	668,247	742,265	701,159	291,574	502,294	2,905,539	3,213,725
Net assets released from restrictions	(2,038)	(391,002)	(152,894)	(545,934)	(765,452)	(531,715)	(232,594)	(425,448)	(2,501,143)	(3,426,607)
Total with donor restrictions support and revenue	4,530	125,000	(7,217)	122,313	(23,187)	169,444	58,980	76,846	404,396	(212,882)

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities (continued)  
Year Ended December 31, 2021  
(With Summarized Comparative Financial Information for the year ended 12/31/2020)

	Legal Services NYC				Constituent Corporations				Total	
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2021	2020
<b>EXPENSES</b>										
<i>Personnel</i>										
Lawyers	\$ 588,914	\$ 1,556,287	\$ 2,252,658	\$ 4,397,859	\$ 10,272,149	\$ 6,514,173	\$ 6,336,494	\$ 9,931,951	\$ 37,452,626	\$ 34,123,343
Lawyers, donated services	306,420	27,235,985	947,816	28,490,221	5,381,234	2,162,724	5,093,537	6,229,188	47,356,904	37,069,980
Nonlawyers	5,068,826	1,099,970	689,286	6,858,082	3,940,345	2,388,069	2,491,473	4,401,643	20,079,612	18,755,015
Fringe benefits	2,307,377	780,333	1,034,941	4,122,651	5,416,963	3,264,923	3,407,674	4,979,014	21,191,225	19,953,810
Provision for vacation leave	148,219	-	34,349	182,568	225,317	188,202	141,543	204,971	942,601	1,477,886
Total personnel	8,419,756	30,672,575	4,959,050	44,051,381	25,236,008	14,518,091	17,470,721	25,746,767	127,022,968	111,380,034
<i>Other than personnel costs</i>										
Consultants and contract services	1,510,996	25,802	28,677	1,565,475	206,249	67,263	133,090	99,188	2,071,265	1,477,691
Travel	17,213	2,180	4,210	23,603	9,440	18,375	2,620	26,048	80,086	83,900
Space	603,521	89,625	195,685	888,831	1,673,742	1,007,118	875,447	896,965	5,342,103	5,190,458
Consumable supplies	99,632	13,414	27,869	140,915	106,001	81,926	58,452	161,157	548,451	627,986
Telephone	76,799	38,616	72,485	187,900	342,828	195,277	158,432	265,206	1,149,643	1,058,899
Insurance	312,223	-	-	312,223	-	-	-	-	312,223	292,449
Equipment rental, maintenance, etc.	208,759	19,346	28,549	256,654	240,572	95,912	74,006	137,360	804,504	793,390
Depreciation and amortization	360,665	11,705	3,597	375,967	162,250	64,810	186,577	113,907	903,511	1,121,183
Litigation cost	19,183	40,518	19,753	79,454	150,171	69,146	104,984	91,130	494,885	886,872
Other	580,601	35,787	24,430	640,818	156,431	171,932	53,170	144,285	1,166,636	1,374,782
Bad debt	-	176	19,831	20,007	101,006	13,091	146,439	116,986	397,529	596,255
Payments to other organizations	1,361,795	-	-	1,361,795	39,286	30,874	99,649	129,459	1,661,063	1,828,086
Intercompany expense allocation	(11,242,002)	469,182	568,397	(10,204,423)	3,297,556	1,992,325	2,054,090	2,860,452	-	-
Total other than personnel costs	(6,090,615)	746,351	993,483	(4,350,781)	6,485,532	3,808,049	3,946,956	5,042,143	14,931,899	15,331,951
Total expenses	2,329,141	31,418,926	5,952,533	39,700,600	31,721,540	18,326,140	21,417,677	30,788,910	141,954,867	126,711,985
<i>Change in net asset before other changes</i>										
Without donor restrictions - undesignated	600,122	(314,827)	(180,358)	104,937	(635,918)	(434,305)	(1,528,517)	(57,870)	(2,551,673)	(1,374,800)
Without donor restrictions - board-designed	15,000	-	-	15,000	-	-	-	-	15,000	-
Total without donor restrictions	615,122	(314,827)	(180,358)	119,937	(635,918)	(434,305)	(1,528,517)	(57,870)	(2,536,673)	(1,374,800)
With donor restrictions	4,530	125,000	(7,217)	122,313	(23,187)	169,444	58,980	76,846	404,396	(212,882)
Total	619,652	(189,827)	(187,575)	242,250	(659,105)	(264,861)	(1,469,537)	18,976	(2,132,277)	(1,587,682)



**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Activities (continued)  
Year Ended December 31, 2021  
(With Summarized Comparative Financial Information for the year ended 12/31/2020)

	Legal Services NYC			Constituent Corporations				Total		
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2021	2020
<i>Other changes</i>										
Without donor restrictions:										
Transfer to without donor restrictions from Property Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,828
With donor restrictions:										
Reclassification in accordance with LSC Program Letter 20-4	-	-	-	-	-	-	-	-	-	(677,873)
Transfer to without donor restrictions from Property Fund	-	-	-	-	-	-	-	-	-	(293,828)
Reclassification between the entities	-	(15,999)	-	(15,999)	15,999	-	-	-	-	-
<i>Change in net assets</i>										
Without donor restrictions - undesignated	600,122	(314,827)	(180,358)	104,937	(635,918)	(434,305)	(1,528,517)	(57,870)	(2,551,673)	(1,080,972)
Without donor restrictions - board-designated	15,000	-	-	15,000	-	-	-	-	15,000	-
Total unrestricted	615,122	(314,827)	(180,358)	119,937	(635,918)	(434,305)	(1,528,517)	(57,870)	(2,536,673)	(1,080,972)
With donor restrictions	4,530	109,001	(7,217)	106,314	(7,188)	169,444	58,980	76,846	404,396	(1,184,583)
Total change in net assets	619,652	(205,826)	(187,575)	226,251	(643,106)	(264,861)	(1,469,537)	18,976	(2,132,277)	(2,265,555)
<i>Net assets at beginning of year</i>										
Without donor restrictions - undesignated	6,983,851	(310,904)	966,679	7,639,626	2,076,744	2,186,930	2,383,179	4,398,455	18,684,934	19,765,906
Without donor restrictions - board-designated	5,647,407	-	-	5,647,407	-	-	-	-	5,647,407	5,647,407
Total unrestricted	12,631,258	(310,904)	966,679	13,287,033	2,076,744	2,186,930	2,383,179	4,398,455	24,332,341	25,413,313
With donor restrictions	-	15,997	91,268	107,265	150,165	40,647	929	65,940	364,946	1,549,529
Total	12,631,258	(294,907)	1,057,947	13,394,298	2,226,909	2,227,577	2,384,108	4,464,395	24,697,287	26,962,842
<i>Net assets at end of year</i>										
Without donor restrictions - undesignated	7,583,973	(625,731)	786,321	7,744,563	1,440,826	1,752,625	854,662	4,340,585	16,133,261	18,684,934
Without donor restrictions - board-designated	5,662,407	-	-	5,662,407	-	-	-	-	5,662,407	5,647,407
Total unrestricted	13,246,380	(625,731)	786,321	13,406,970	1,440,826	1,752,625	854,662	4,340,585	21,795,668	24,332,341
With donor restrictions	4,530	124,998	84,051	213,579	142,977	210,091	59,909	142,786	769,342	364,946
Total	\$ 13,250,910	\$ (500,733)	\$ 870,372	\$ 13,620,549	\$ 1,583,803	\$ 1,962,716	\$ 914,571	\$ 4,483,371	\$ 22,565,010	\$ 24,697,287

**LEGAL SERVICES NYC AND CONSTITUENT CORPORATIONS**  
Consolidating Statement of Cash Flows  
Year Ended December 31, 2021  
(With Summarized Comparative Financial Information for the year ended 12/31/2020)

	Legal Services NYC			Constituent Corporations				Total		
	Central	Support Unit	Staten Island	Total	Brooklyn	Manhattan	Queens	Bronx	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Change in net assets	\$ 619,652	\$ (205,826)	\$ (187,575)	\$ 226,251	\$ (643,106)	\$ (264,861)	\$ (1,469,537)	\$ 18,976	\$ (2,132,277)	\$ (2,265,555)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>										
Depreciation and amortization	360,665	11,705	3,597	375,967	162,250	64,810	186,577	113,907	903,511	1,121,183
Bad debt	-	176	19,831	20,007	101,006	13,091	146,439	116,986	397,529	596,255
Changes in operating assets and liabilities:										
(Increase) decrease in government and private contracts receivable	409,173	639,065	(5,434)	1,042,804	(810,787)	(289,487)	(672,779)	(1,465,159)	(2,195,408)	7,754,328
(Increase) decrease in grants and contributions receivable	81,725	(93,588)	(13,178)	(25,041)	(2,025)	(121,116)	16,167	(220,948)	(352,963)	(333,296)
(Increase) decrease in other receivable	39,769	-	(2,824)	36,945	(7,249)	(84,561)	(7,735)	(14,412)	(77,012)	109,595
(Increase) decrease in prepayments	(116,418)	1,727	(6,330)	(121,021)	25,821	4,484	(7,424)	881	(97,259)	19,039
Decrease in security deposits	184,424	-	-	184,424	(840)	(800)	(8,441)	(19,273)	155,070	28,704
Decrease in escrow accounts	-	-	7,739	7,739	108,763	29,400	26,759	32,518	205,179	177,410
(Increase) decrease in intercompany receivables	(1,753,004)	-	-	(1,753,004)	750,129	326,416	-	(136,589)	(813,048)	7,247,422
Increase (decrease) in accounts payable and accrued expenses	411,760	26,012	(38,349)	399,423	155,071	35,048	(28,781)	18,859	579,620	(597,211)
Increase (decrease) in contract advances	848,335	(67,577)	77,669	858,427	(145,584)	123,706	836,213	1,497,287	3,170,049	3,290,911
Increase (decrease) in intercompany payables	-	(301,294)	137,947	(163,347)	-	96,664	897,823	(18,092)	813,048	(7,247,422)
Increase in accrued vacation leave payable	148,219	-	34,349	182,568	225,317	188,203	141,543	204,971	942,602	1,477,886
Decrease in escrow accounts	-	-	(7,739)	(7,739)	(108,763)	(29,400)	(26,759)	(32,518)	(205,179)	(177,410)
Increase (decrease) increase in deferred rent obligations	3,833	-	1,155	4,988	258,558	(37,574)	11,565	(49,679)	187,858	(179,861)
Net cash provided by operating activities	1,238,133	10,400	20,858	1,269,391	68,561	54,023	41,630	47,715	1,481,320	11,021,978
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Purchase of a certificate of deposit	(198,648)	-	-	(198,648)	-	-	-	-	(198,648)	(670,414)
Purchases of property and equipment	(298,781)	(10,400)	(20,858)	(330,039)	(52,922)	(54,023)	(41,630)	(47,715)	(526,329)	(541,106)
Net cash used in investing activities	(497,429)	(10,400)	(20,858)	(528,687)	(52,922)	(54,023)	(41,630)	(47,715)	(724,977)	(1,211,520)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Repayment of notes payable	(29,797)	-	-	(29,797)	(14,739)	-	-	-	(44,536)	(59,952)
Proceeds from line of credit	3,500,000	-	-	3,500,000	-	-	-	-	3,500,000	-
Net cash provided by (used in) financing activities	3,470,203	-	-	3,470,203	(14,739)	-	-	-	3,455,464	(59,952)
Net change in cash and cash equivalents	4,210,907	-	-	4,210,907	900	-	-	-	4,211,807	9,750,506
Cash and cash equivalents at beginning of year	10,600,723	-	2,000	10,602,723	10,000	6,000	3,000	7,600	10,629,323	878,817
Cash and cash equivalents at end of year	\$ 14,811,630	\$ -	\$ 2,000	\$ 14,813,630	\$ 10,900	\$ 6,000	\$ 3,000	\$ 7,600	\$ 14,841,130	\$ 10,629,323
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>										
Cash paid for interest	\$ 39,534	\$ 81	\$ -	\$ 39,615	\$ 431	\$ 230	\$ 34	\$ -	\$ 40,310	\$ 4,078