

**LEGAL AID BUREAU, INC. AND SUBSIDIARY
RECIPIENT NO. 321016**

**Consolidated Financial Statements and Supplementary Schedules
Together with Reports of Independent Public Accountants**

For the Years Ended December 31, 2022 and 2021

DECEMBER 31, 2022 AND 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors of
Legal Aid Bureau, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Legal Aid Bureau, Inc. and its subsidiary, Maryland Center for Legal Assistance (MCLA), (together Maryland Legal Aid) which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, and changes in net assets, functional expenses and cash flows for the years then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Maryland Legal Aid as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Maryland Legal Aid and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Maryland Legal Aid's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maryland Legal Aid's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities and changes in net assets, and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of analysis of support, revenue and expenses and changes in net assets - Legal Services Corporation, and schedule of private bar involvement - Legal Services Corporation, are required by Legal Service Corporation and are presented for purposes of additional analysis and are not a required part of the consolidated



financial statements. The schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of Maryland Legal Aid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Maryland Legal Aid's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Maryland Legal Aid's internal control over financial reporting and compliance.

Owings Mills, Maryland
April 27, 2023

SB & Company, LLC

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 3,450,055	\$ 2,197,366
Cash - client trust fund	8,028	8,028
Investments	19,592,928	17,294,345
Grants and contracts receivable, net	12,187,758	9,862,581
Prepaid expenses and other current assets	234,530	122,327
Property, plant and equipment, net	3,470,067	2,871,236
Right of use assets	8,153,083	7,894,556
Lease deposits	45,299	41,799
Retirement related assets	75,650	74,547
Other assets	-	2,011,313
Total Assets	<u><u>\$ 47,217,398</u></u>	<u><u>\$ 42,378,098</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 843,536	\$ 477,712
Deferred revenue	1,264,531	1,441,613
Accrued salaries and benefits	941,121	881,503
Client trust fund payable	8,028	8,028
Accrued vacation	934,811	903,436
Lease liabilities	8,434,440	8,063,834
Retirement related liabilities	75,650	74,547
Total Liabilities	<u><u>12,502,117</u></u>	<u><u>11,850,673</u></u>
Net Assets		
Without donor restriction	21,385,795	20,541,621
With donor restrictions	13,329,486	9,985,804
Total Net Assets	<u><u>34,715,281</u></u>	<u><u>30,527,425</u></u>
Total Liabilities and Net Assets	<u><u>\$ 47,217,398</u></u>	<u><u>\$ 42,378,098</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidated Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2022 and 2021

Net Assets Without Donor Restrictions	2022	2021
Operating Revenues		
Grants and contributions:		
Legal Services Corporation	\$ 6,455,561	\$ 5,540,258
Maryland Legal Services Corporation	5,444,719	3,908,287
Individual contributions and foundations	655,240	578,778
Government and other contracts	12,227,348	11,221,209
Forgiveness of Paycheck Protection Program loan	-	4,393,600
Net investment (loss) gain and other income	(88,709)	400,789
Total Revenues	24,694,159	26,042,921
Net assets released from restriction		
Maryland Legal Services Corporation	6,803,856	9,034,239
Other	665,813	661,353
Total net assets released from restriction	7,469,669	9,695,592
Total Operating Revenues and Support	32,163,828	35,738,513
Operating Expenses		
Program services	25,995,166	25,479,197
Management and general	5,008,884	4,640,004
Fundraising	315,604	290,685
Total Operating Expenses	31,319,654	30,409,886
Change in Net Assets Without Donor Restrictions	844,174	5,328,627
Net Assets with Donor Restrictions		
Maryland Legal Services Corporation	10,258,330	8,694,483
Government and other contracts	426,521	416,245
Individual contributions and foundations	128,500	414,001
Satisfaction of restrictions	(7,469,669)	(9,695,592)
Change in Net Assets with Donor Restrictions	3,343,682	(170,863)
Changes in Net Assets	4,187,856	5,157,764
Net assets, beginning of year	30,527,425	25,369,661
Net Assets, End of Year	\$ 34,715,281	\$ 30,527,425

The accompanying notes are an integral part of these consolidated financial statements.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2022, with Comparative Totals for 2021

	2022				2021 Total
	Program Service	Management and General	Fundraising	Total	
Attorney salaries	\$ 12,868,654	\$ 745,960	\$ 75,770	\$ 13,690,384	\$ 13,775,016
Paralegal salaries	2,389,574	-	-	2,389,574	2,508,329
Other salaries	2,079,471	2,114,312	99,496	4,293,279	4,161,529
Employee benefits	4,251,086	707,698	39,813	4,998,597	4,992,048
Total Payroll and Related Expenses	21,588,785	3,567,970	215,079	25,371,834	25,436,922
Occupancy	1,679,265	136,850	9,043	1,825,158	1,608,190
Equipment rental	63,082	1,864	134	65,080	74,719
Repairs and maintenance	231,989	78,044	5,182	315,215	373,784
Expendable office equipment/software	29,187	10,286	281	39,754	51,890
Supplies	55,902	16,353	80	72,335	68,339
Printing and copying	21,918	24,923	302	47,143	39,476
Postage	35,820	8,531	365	44,716	57,294
Communications	498,494	66,142	3,986	568,622	534,894
Travel	122,860	7,060	110	130,030	38,505
Training/continuing education	84,127	27,673	1,225	113,025	40,129
Insurance	82,405	13,228	1,311	96,944	102,742
Library and dues	195,931	11,150	873	207,954	206,041
Litigation	26,025	-	-	26,025	31,756
Audit	56,871	11,356	569	68,796	71,012
Contract services	831,210	523,842	2,369	1,357,421	1,149,506
Bad debt expense	-	91,848	-	91,848	-
Depreciation	245,064	41,837	3,166	290,067	277,219
Other	146,231	369,927	71,529	587,687	247,468
Total Non-Payroll Expenses	4,406,381	1,440,914	100,525	5,947,820	4,972,964
Total Expenses	\$ 25,995,166	\$ 5,008,884	\$ 315,604	\$ 31,319,654	\$ 30,409,886

The accompanying notes are an integral part of this consolidated financial statement.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Service	Management and General	Fundraising	Total
Attorney salaries	\$ 12,808,294	\$ 896,384	\$ 70,338	\$ 13,775,016
Paralegal salaries	2,508,329	-	-	2,508,329
Other salaries	2,029,670	1,995,940	135,919	4,161,529
Employee benefits	4,195,316	745,981	50,751	4,992,048
Total Payroll and Related Expenses	<u>21,541,609</u>	<u>3,638,305</u>	<u>257,008</u>	<u>25,436,922</u>
Occupancy	1,487,317	113,023	7,850	1,608,190
Equipment rental	69,605	4,850	264	74,719
Repairs and maintenance	224,061	143,447	6,276	373,784
Expendable office equipment/software	43,898	7,776	216	51,890
Supplies	53,253	14,567	519	68,339
Printing and copying	22,617	16,830	29	39,476
Postage	43,860	12,589	845	57,294
Communications	464,576	65,694	4,624	534,894
Travel	33,692	4,788	25	38,505
Training/continuing education	37,232	2,834	63	40,129
Insurance	86,997	14,929	816	102,742
Library and dues	193,693	11,418	930	206,041
Litigation	31,756	-	-	31,756
Audit	60,149	10,160	703	71,012
Contract services	717,542	430,078	1,886	1,149,506
Depreciation	229,343	44,417	3,459	277,219
Other	137,997	104,299	5,172	247,468
Total Non-Payroll Expenses	<u>3,937,588</u>	<u>1,001,699</u>	<u>33,677</u>	<u>4,972,964</u>
Total Expenses	<u>\$ 25,479,197</u>	<u>\$ 4,640,004</u>	<u>\$ 290,685</u>	<u>\$ 30,409,886</u>

The accompanying notes are an integral part of this consolidated financial statement.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 4,187,856	\$ 5,157,764
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	290,067	277,219
Forgiveness of Paycheck Protection Program loans	-	(4,393,600)
Gain on sale of property	-	(97,925)
Amortization on right of use assets	1,285,979	1,050,676
Reinvested investment income	(44,686)	(63,478)
Effect of changes in non-cash operating assets and liabilities:		
Grants and contracts receivable, net	(2,325,177)	(674,860)
Prepaid expenses and other current assets	(112,203)	101,331
Lease deposits	(3,500)	-
Other assets	2,011,313	(43,765)
Accounts payable and accrued expenses	365,824	(36,548)
Deferred revenue	(177,082)	(163,417)
Accrued salaries, benefits and vacation	90,993	3,473
Lease liabilities	(1,173,901)	(1,058,959)
Net Cash Flows from Operating Activities	<u>4,395,483</u>	<u>57,911</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(888,898)	(384,047)
Proceeds from sale of property	-	97,925
Proceeds from sales of investments	8,777,713	17,343,352
Purchase of investments	(11,031,609)	(16,927,685)
Net Cash Flows from Investing Activities	<u>(3,142,794)</u>	<u>129,545</u>
Net change in cash	1,252,689	187,456
Cash, beginning of year	2,197,366	2,009,910
Cash, End of Year	<u>\$ 3,450,055</u>	<u>\$ 2,197,366</u>
Supplemental Schedule of Noncash Investing Activity:		
Acquisition of right of use assets	<u>\$ 1,544,507</u>	<u>\$ 9,122,793</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

1. BACKGROUND OF THE ORGANIZATION

Legal Aid Bureau, Inc.

Throughout its 110-year history, Legal Aid Bureau, Inc. and its subsidiary, Maryland Center for Legal Assistance (MCLA), (together, Maryland Legal Aid) has provided free, civil legal services to low-income individuals and families in Maryland. As a private, not-for-profit law firm, Maryland Legal Aid focuses on the critical legal needs of its clients, including older adults, people with disabilities, families in crisis, children at risk of abuse or neglect, veterans, migrant and seasonal farm workers, nursing home and assisted living residents, low-wage workers, homeowners in jeopardy of losing their homes to foreclosure, and individuals eligible for expungement of their criminal records to help them secure jobs, housing, and custody of their children. Support for Maryland Legal Aid comes from Federal, state and local governments, foundations, law firms, the United Way, and private donors.

Maryland Legal Aid's organizational vision is to protect and advance human rights to affect lasting social change. Maryland Legal Aid achieves its clients' goals through a broad range of legal services ranging from brief advice and service, pro se assistance and targeted referrals, pro bono coordination and referrals, community education, assistance with community economic development matters, policy and impact advocacy, transactional work, collaborative endeavors with other organizations, and litigation in administrative forums and state and Federal trial-level and appellate courts. Maryland Legal Aid's priority areas for representation are family/domestic, housing, income maintenance (public benefits and employment), and consumer law.

Maryland Center for Legal Assistance

In 2009, Maryland Legal Aid entered into a contract with the Administrative Office of the Courts (AOC) to staff District Court Help Centers and a separate statewide call center. In June 2017, Legal Aid Bureau Inc. created Maryland Center for Legal Assistance, LLC (MCLA) as a wholly-owned subsidiary and assigned its contract with the AOC to MCLA.

While Maryland Legal Aid is funded, in part, by the Federal Legal Services Corporation (LSC), MCLA is a separate legal entity that does not receive LSC funds and operates in compliance with the program integrity regulations established by LSC. MCLA is a single member LLC and, as such, is a disregarded entity for Federal income tax purposes. Therefore, MCLA is considered a branch or division of Maryland Legal Aid. Its assets, liabilities and operations are included in these consolidated financial statements and in Maryland Legal Aid's annual *Form 990 Return of Organization Exempt from Income Tax filings*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the operations of Legal Aid Bureau, Inc. and MCLA, (together, Maryland Legal Aid). Intercompany transactions are eliminated in consolidation.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The accompanying consolidated financial statements of Maryland Legal Aid are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Fair Value of Financial Instruments

Financial instruments consist of cash, investments, receivables and payables. The carrying value of Maryland Legal Aid's financial instruments in the accompanying consolidated statements of financial position approximated their respective estimated fair values as of December 31, 2022 and 2021. Fair values are estimated based on current market rates, prices or liquidation value.

Grants and Contracts Receivable, net and Deferred Revenue

Maryland Legal Aid receives grants and contracts from various entities and records accounts receivable as Maryland Legal Aid earns the revenue under each grant and contract at their net realizable value. Maryland Legal Aid provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. Maryland Legal Aid's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. As of December 31, 2022, management recorded an allowance for uncollectible accounts of \$91,848. As of December 31, 2021, management considered these amounts to be fully collectible, thus no allowance for doubtful accounts was recorded.

Amounts received for services that have not yet been provided are recorded as deferred revenue. Included in deferred revenue as of December 31, 2022 and 2021, are unearned amounts from the Legal Services Corporation in the amount of \$599,724 and \$1,387,250, respectfully, related to the basic field grants.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost. Donated furniture and equipment are capitalized at the estimated fair market value on the date received. Property, plant, and equipment with costs in excess of \$5,000 and useful lives of more than one year are capitalized. The cost of maintenance and repairs is charged to expense as incurred. Depreciation of buildings and equipment is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to forty years.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Deposits

Maryland Legal Aid records lease security deposits related to the operating leases for office space and equipment discussed in note 9.

Retirement Related Assets, Liabilities and Other Assets

Retirement related assets, liabilities and other assets consist of the residual pension assets and the noncontributory supplemental executive plan (the SERP Plan) described in Note 6. Maryland Legal Aid's contributions to the SERP plan were established by the plan document. The participant is fully vested based on the provisions set forth in the SERP plan document. The asset and related liability are recorded at the fair market value of the participants account balance.

Right of Use Assets and Lease Liabilities

Maryland Legal Aid has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 842, Leases, with a date of initial application of January 1, 2021. Maryland Legal Aid may enter into lease agreements for noncancelable leases of equipment, office space and land. Maryland Legal Aid is a lessee for buildings and office equipment. Right of use assets represent future commitments greater than one year. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that Maryland Legal Aid is reasonably certain to exercise and any cancellable period (i.e. termination options when Maryland Legal Aid is not reasonably certain to exercise its option to cancel the lease). Costs to be capitalized include base monthly rent as well as any other fixed recurring amounts pertaining to the leased premises paid to the landlord. The lease liability is discounted using a risk-free rate aligned with the terms of its leases (i.e. the 5-year treasury note rate). Insurance and property taxes included in rent are also capitalized. Costs related to utilities, maintenance, and janitorial services are expensed as incurred.

The right of use asset is initially measured at cost, including (a) costs capitalized to lease liability; (b) lease payments made at or before the lease commencement date, less any lease incentives received prior to commencement date; (c) any initial direct costs; and (d) any obligation for restoration costs. The right of use assets are amortized over the term of the lease (unless the useful life is shorter).

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions are those whose use by Maryland Legal Aid has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of December 31, 2022 and 2021, there was \$13,329,486 and \$9,985,804, respectively, in net assets with donor restrictions for a specific time period or purpose.

Net assets with donor restrictions also consist of contributions received from donors, which are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and only the investment income be used. Included in net assets with donor restrictions, are assets held in perpetuity in the amount of \$282,000 and \$257,000, as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, investment income of \$10,614 and \$7,864, respectively, earned from these contributions is restricted to support the purpose designated.

Grants

Grants received are recorded as net assets without donor restrictions or net assets with donor-restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions that expire in the same period they were received are recorded as net assets without donor restrictions in the period received.

An unconditional promise to give support is recognized as a receivable and contribution revenue in the year the promise is made. All unconditional promises to Maryland Legal Aid are due within one year. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as revenue until the condition is met.

Government Grants and Contracts

Revenue from government grants and contracts is recognized when reimbursable expenses are incurred under terms of the related contracts or based on some predetermined rate. For conditional government grants, expenses incurred in excess of funds collected are reflected as grants receivable and payments in excess of qualified expenses are accounted for as deferred revenue.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

Maryland Legal Aid recognizes contributed services if the services meet any of the following criteria: a) they create or enhance non-financial assets or b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. All of Maryland Legal Aid's contributed services received during the years ended December 31, 2022 and 2021, consisted of pro-bono legal services provided by external legal firms.

Management believes that such services received do not create or enhance financial assets nor would they need to be purchased otherwise, as the majority of employees of Maryland Legal Aid would be able to provide similar services internally. As such, no revenue or expenses were recognized for contributed services during the years ended December 31, 2022 and 2021, respectively.

Investment Valuation and Income Recognition

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes Maryland Legal Aid's gains and losses on investments bought and sold as well as held during the year.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses attributable to program services, general and administrative expense and fundraising expense. These functional groupings are summarized in the consolidated statements of activities and changes in net assets and in the consolidated statements of functional expenses. Salaries are charged to programs based on time and effort. Certain expenses are attributable to more than one program or supporting function. Accordingly, those shared costs are allocated among the programs and supporting services benefited. Allocations are determined by management based on direct salaries or other reasonable allocation basis, such as square feet.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Legal Aid Bureau, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, no provision for income taxes has been provided in the accompanying consolidated financial statements. In addition, Legal Aid Bureau, Inc. is classified as a public charity under Section 509(a) of the Code. MCLA is a limited liability company and a disregarded entity for Federal income tax purposes. Maryland Legal Aid accounts for uncertainty in income taxes recognized in its financial statements using a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. Maryland Legal Aid performed an evaluation of uncertain tax positions for the years ended December 31, 2022 and 2021, and determined that there were no matters that would require recognition in the accompanying consolidated financial statements or which may have any effect on its tax-exempt status.

As of December 31, 2022, the statute of limitation for tax years 2019 through 2022, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which Maryland Legal Aid files tax returns. It is Maryland Legal Aid’s policy to recognize penalties related to uncertain tax positions, if any, in income tax expense.

Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenses were as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,450,055	\$ 2,197,366
Investments	19,592,928	17,294,345
Grants and contracts receivable	<u>12,187,758</u>	<u>9,862,581</u>
Total Financial Assets, at Year End	35,230,741	29,354,292
Less: amounts unavailable for general expenditures within one year, due to:		
Donor restrictions - in perpetuity	<u>282,000</u>	<u>257,000</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	<u>\$ 34,948,741</u>	<u>\$ 29,097,292</u>

Maryland Legal Aid’s stated investment objectives for cash not currently necessary for operations include the maintenance of liquid reserves to meet obligations arising from unanticipated activities. Management has an informal goal of maintaining cash and liquid investment reserves of at least twelve months of operating expenses during periods when conditions allow.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. This standard will require Maryland Legal Aid to present gifts-in-kind as a separate line item on the statement of activities and changes in net assets. Additionally, gifts-in-kind are to be disaggregated into categories based on the type of gift received, with required disclosures made for each category. This standard was effective for fiscal year 2022 and did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require Maryland Legal Aid's management to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provides further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards were effective for fiscal year 2022. Refer to Note 9 for additional information.

Recent Accounting Pronouncements

In June 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-13, *Financial Instruments —Credit Losses: Measurement of Credit Losses on Financial Instruments*, that provides updated guidance on the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard is effective for fiscal years beginning after December 15, 2022.

Management is evaluating the effects of this pronouncement on the financial statements and will implement these pronouncements by their effective dates.

Subsequent Events

Maryland Legal Aid's management has evaluated subsequent events and transactions as of April 27, 2023, the date these consolidated financial statements were available for issue and have determined that no material subsequent events, have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

Reclassifications

Certain accounts and amounts reported in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

3. INVESTMENTS

Fair Value Measurements

Accounting principles generally accepted in the United States of America provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Maryland Legal Aid has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for investments measured at fair value:

Cash equivalents: Valued at cost plus accrued interest where costs approximates the fair value and are classified as Level 1. *Certificates of deposit:* Valued at the cost-plus accrued interest, where cost approximates the fair value and are classified as Level 1.

U.S. Treasury notes: The fair value of U.S. Treasury notes is determined by an active price for an identical security in an observable market and is therefore classified as Level 1.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

3. INVESTMENTS (continued)

Fair Value Measurements (continued)

U.S. Treasury cash reserves: Include investments in a sweep money market account with an original maturity of three months or less and is rendered Level 1 due to frequent pricing and ease of converting to cash.

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

A summary of investments and other assets by fair value hierarchy level as of December 31, 2022 and 2021, are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 6,270	\$ -	\$ -	\$ 6,270
Certificates of deposit	727,949	-	-	727,949
U.S. Treasury notes	18,858,709	-	-	18,858,709
	<u>\$ 19,592,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,592,928</u>

	2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 7,206	\$ -	\$ -	\$ 7,206
Certificates of deposit	1,359,334	-	-	1,359,334
U.S. Treasury notes	15,927,805	-	-	15,927,805
U.S. Treasury cash reserves	2,011,313	-	-	2,011,313
	<u>\$ 19,305,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,305,658</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31 consisted of:

	2022		
	Non-LSC	LSC	Total
Land	\$ 630,000	\$ -	\$ 630,000
Building and improvements	8,282,244	233,169	8,515,413
Construction in progress	857,278	-	857,278
Furniture, fixtures and equipment	741,894	22,634	764,528
	<u>10,511,416</u>	<u>255,803</u>	<u>10,767,219</u>
Less: accumulated depreciation	7,056,496	240,656	7,297,152
Property, Plant and Equipment, Net	<u>\$ 3,454,920</u>	<u>\$ 15,147</u>	<u>\$ 3,470,067</u>

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	2021		
	Non-LSC	LSC	Total
Land	\$ 630,000	\$ -	\$ 630,000
Building and improvements	8,229,059	233,169	8,462,228
Construction in progress	54,383	-	54,383
Furniture, fixtures and equipment	2,933,325	22,634	2,955,959
	11,846,767	255,803	12,102,570
Less: accumulated depreciation	8,998,165	233,169	9,231,334
Property, Plant and Equipment, Net	\$ 2,848,602	\$ 22,634	\$ 2,871,236

Depreciation for the years ended December 31, 2022 and 2021, was \$290,067 and \$277,219, respectively.

In February 2021, the Maryland Legal Aid entered into an agreement for the sale of a fully depreciated office for \$105,000. The transaction resulted in a gain on sale of the property of \$97,925, net of closing costs, and has been recorded as derivative income as part of the Legal Services Corporation revenue in the accompanying statements of activities and changes in net assets.

5. PAYCHECK PROTECTION PROGRAM LOANS

During the year ended December 31, 2020, Legal Aid Bureau, Inc. and MCLA received Paycheck Protection Program (PPP) loans in the amounts of \$3,900,300 and \$493,300, respectively. The terms of the loans require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. The loans were eligible to be forgiven based on meeting certain conditions as set forth in the loan agreements.

During 2021, Legal Aid Bureau, Inc. and MCLA received forgiveness on their PPP loans and have recorded the amounts as grant revenue in the accompanying consolidated statements of changes in net assets for the year ended December 31, 2021.

6. RETIREMENT PLANS

Pension Plan

Maryland Legal Aid had a non-contributory defined benefit pension plan covering substantially all of its employees, who were employed on or before June 30, 2011, as defined in the Plan document to provide pension, death, and disability benefits. Maryland Legal Aid was the sponsor of the Pension Plan. The Pension Plan was subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective June 30, 2011, the Pension Plan was frozen, whereby years of service earned after June 30, 2011, were recognized by the Pension Plan for vesting purposes only.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

6. RETIREMENT PLANS (continued)

Pension Plan (continued)

On December 19, 2018, the Board of Directors of Maryland Legal Aid, voted to terminate the Pension Plan. Effective February 19, 2020, Maryland Legal Aid purchased annuity contracts from Principal Life Insurance Company (Principal), under which Principal assumed responsibility for payment of the Plan's future pension benefits. By transferring these obligations to Principal, Maryland Legal Aid eliminated its pension obligation and the Pension Plan ceased to exist. Retirees will receive the same monthly benefit they were previously receiving from the Pension Plan. As of December 31, 2021, there was approximately \$2 million, remaining in residual Pension Plan assets, representing the excess of assets held by the Pension Plan's trust after the payment of benefits to eligible participants and certain administrative expense. This amount was recorded as other assets in the accompanying consolidated statements of financial position. During the year ended December 31, 2022, Maryland Legal Aid transferred the assets to its operating investments.

Defined Contribution Plans

Maryland Legal Aid sponsors a defined contribution 401(k) plan. An eligible employee may, on a voluntary basis, begin participation in the defined contribution plan immediately following the date that he or she becomes an employee of Maryland Legal Aid. Maryland Legal Aid, at its discretion, contributes a percentage of compensation (as defined in the 401(k) plan document) to the accounts of eligible participants and matches participant contributions to the plan up to certain levels. Maryland Legal Aid's contributions to the defined contribution 401(k) plan for the years ended December 31, 2022 and 2021, were \$883,083 and \$979,214, respectively. In future plan years, employer contributions may be made at the discretion of the board of directors.

Maryland Legal Aid also provided the Supplemental Employee Retirement Plan, (SERP) for an eligible class employee under section 457(f) of the Internal Revenue Code of 1986, as amended. Maryland Legal Aid's contributions to the SERP plan were established by the plan document, approved by the Board of Directors on September 22, 2004 to be effective as of October 1, 2004.

The participant was vested based on the provisions set forth in the SERP plan document. As of December 31, 2022 and 2021, Maryland Legal Aid held \$75,650 and \$74,547, respectively, of deferred compensation in an account that is administered by Maryland Legal Aid, which has been recorded as retirement related assets/liabilities in the accompanying consolidated statements of financial position. There were no contributions to the SERP plan for the years ended December 31, 2022 and 2021.

During the year ended December 31, 2022, the eligible class employee retired. Subsequent to year end 100% of the SERP balance was liquidated.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021, consisted of the following:

	2022	2021
Legal services	\$ 12,390,666	\$ 9,125,495
Child custody	117,604	117,604
Family law	88,000	88,000
Foreclosure prevention	162,685	146,685
Grant in need	195,918	185,641
Other programs	67,613	65,379
Time restricted	25,000	-
Assets held in perpetuity	282,000	257,000
Total	\$ 13,329,486	\$ 9,985,804

Carlos Braxton Legacy Award

During the year ended December 31, 2022, Maryland Legal Aid received a \$50,000 donor-restricted commitment to be held in perpetuity for the purpose of recognizing and supporting the efforts of staff members who have demonstrated exemplary legal advocacy. It is the intent of the donor that the endowment annually distributes a percentage of the annual market value of the fund (as determined by the endowment's spending policy), to include earned income and realized and unrealized gains, and that the corpus of the endowment will remain and grow in perpetuity. As of December 31, 2022, \$25,000 of the donor-restricted commitment was outstanding and classified as time-restricted net assets with donor restrictions until such time that the contributions are received and available to be held in perpetuity.

As of April 27, 2023, Maryland Legal Aid had not formally established the endowment fund, which will be managed by the Baltimore Community Foundation. Once established, the award will be named the Carlos Braxton Legacy Award.

Community Lawyering Programs

During the year ended December 31, 2019, Maryland Legal Aid received a \$250,000 donor-restricted endowment to be held in perpetuity for the purpose of supporting a full-time attorney position focusing on continuing and developing Maryland Legal Aid's Community Lawyering programs. The donor requests that until the endowment principal reaches \$2,000,000, the spendable amount of annual distributions from the endowment shall be accumulated and added to the principal of the endowment. After the endowment principal reaches \$2,000,000, an annual distribution shall be made from the endowment fund. The amount of this annual distribution may be set by the Board of Directors of Maryland Legal Aid in accordance with a general endowment spending policy of Maryland Legal Aid.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Community Lawyering Programs (continued)

It is the intent of the donor that the fund annually distribute a percentage of the annual market value of the fund (as determined by the Board of Directors), to include earned income and realized and unrealized gain, and that the corpus of the endowment will remain and grow in perpetuity. Maryland Legal Aid is in the process of establishing an endowment investment and spending policy in order to strategically meet the objectives of the endowment.

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

As disclosed in Note 2, Maryland Legal Aid has entered into certain non-cancelable operating agreements for the rental of office space and equipment with varying lease terms through 2031.

As of December 31, 2022 and 2021, the unamortized right-of-use asset was \$8,153,082 and \$7,894,556, respectively, and the lease liability was \$8,434,440 and \$8,063,834, respectively. Maryland Legal Aid is using an interest rate of 1.37%. Amortization of the right-of-use asset for the years ended December 31, 2022 and 2021, was \$1,285,979 and \$1,050,676, respectively, and is recorded in occupancy expense in the accompanying consolidated statements of functional expenses.

Future minimum lease payments as of December 31, 2022 were as follows:

Years Ending	Amount
2023	\$ 1,276,507
2024	1,228,201
2025	1,102,429
2026	1,123,910
2027	1,147,545
Thereafter	2,997,134
Less: amounts representing interest	(441,286)
Total	\$ 8,434,440

9. COMMITMENTS AND CONTINGENCIES

Grants

Reimbursed costs under Maryland Legal Aid's government awards are subject to final determination of allowability by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements December 31, 2022 and 2021

9. COMMITMENTS AND CONTINGENCIES (continued)

Land

The City of Baltimore (the City) donated the land on which Maryland Legal Aid's headquarters were constructed for as long as Maryland Legal Aid utilizes the facility exclusively as a not-for-profit provider of legal services. If used for other purposes, Maryland Legal Aid would be required to pay the City approximately \$630,000, plus accrued interest at 7% from the date the land was acquired. The land is carried in the accompanying consolidated statements of financial position at Maryland Legal Aid's estimated fair value when donated as determined by appraisal on the date of donation. As Maryland Legal Aid has no intention to use this land for any other purpose, it has not recorded a liability to the City.

Concentrations

Maryland Legal Aid received approximately 98% and 96%, of its total revenue from government sources for the years ended December 31, 2022 and 2021, respectively.

10. RELATED-PARTY TRANSACTIONS

As discussed in Note 1, Legal Aid Bureau, Inc. created MCLA, as a single member limited liability company. A capital contribution in the amount of \$100,000 was contributed to MCLA in 2017. Additionally, there were promissory notes executed to provide operating cash flows for MCLA.

In June 2017, a management agreement was executed between Legal Aid Bureau, Inc. and MCLA to reimburse Legal Aid Bureau, Inc. for the costs of personnel who provides certain operational, managerial and other support services to MCLA. The administrative services fee is payable quarterly, in the amount of 28% of MCLA's total salaries. For the years ended December 31, 2022 and 2021, the administrative services fee, in addition to reimbursements for licensing fees was \$911,826 and \$804,031, respectively, of which \$112,756 and \$114,596, respectively, was unpaid as of December 31, 2022 and 2021.

SUPPLEMENTARY INFORMATION
UNIFORM GRANT GUIDANCE



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of
Legal Aid Bureau, Inc.

Report on the Financial Statements

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated statement of financial position of Legal Aid Bureau, Inc. and its subsidiary, Maryland Center for Legal Assistance (MCLA) (together Maryland Legal Aid), as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Maryland Legal Aid's consolidated financial statements, and have issued our report thereon dated April 27, 2023.

Internal Controls over Financial Reporting

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

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

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



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Compliance and Other Matters

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

Purpose of This Report

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

Owings Mills, Maryland
April 27, 2023

SB & Company, LLC



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors of
Legal Aid Bureau, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Aid Bureau, Inc. and its subsidiary, Maryland Center for Legal Assistance (MCLA) (together, Maryland Legal Aid)'s compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Maryland Legal Aid's major Federal program for the year ended December 31, 2022. Maryland Legal Aid's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Maryland Legal Aid complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Maryland Legal Aid's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Maryland Legal Aid's compliance with the requirements of each major Federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Owings Mills, Maryland
April 27, 2023

SB & Company, LLC

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

Federal Grantor/Program Title Pass Through Grantor/Program or Cluster Title	Assistance Listing/Grant Number	Pass-Through Entity Identifying Number	Amount Passed-Through to Subrecipients	Federal Expenditures
Legal Services Corporation				
Basic Field and Migrant Worker Grants	09 321016	N/A	\$ -	\$ 6,455,561
Total Legal Services Corporation			-	6,455,561
U.S. Department of Housing and Urban Development				
CDBG-Entitlement Grants Cluster				
Pass through Baltimore City Department of Housing and Community Development				
Community Development Block Grants/Entitlement Grants-				
Community Development Block Grant	14 218	Unknown	-	72,500
Community Development Block Grant - CV3	14 218	Unknown	-	5,000
			-	77,500
Pass through Montgomery County, Maryland Department of Housing and Community Development				
Community Development Block Grants/Entitlement Grants-				
CDBG-Entitlement Grants Cluster	14 218	Unknown	-	87,015
Pass through Prince George's County Development of Housing and Community Development				
Community Development Block Grants/Entitlement Grants-				
Community Development Block Grant	14 218	Unknown	-	65,725
Community Development Block Grant - CV3	14 218	Unknown	-	59,210
			-	124,935
Total U.S. Department of Housing and Urban Development and CDBG-Entitlement Grants Cluster			-	289,450
U.S. Department of Justice				
Pass through the Governor's Office of Crime Control and Prevention				
Protecting the Legal Rights of Victims of Crime (VOCA)	16 575	VOCA-2021-0024	-	293,665
Enhanced Legal Representation (VAWA)	16 588	VAWA-2021-0029	8,337	50,348
Total Governor's Office of Crime Control and Prevention			8,337	344,013
Pass through Prince George's County Family Justice Center				
Protecting the Legal Rights of Victims of Crime (VOCA)	16 575	VOCA-2021-0024	-	95,558
Enhanced Legal Representation (VAWA)	16 588	VAWA-2021-0029	-	29,929
Total Prince George's County Family Justice Center			-	125,487
Total U.S. Department of Justice			8,337	469,500
U.S. Department of the Treasury				
American Rescue Plan (ARP) Act				
Pass through from Arundel Community Development Services				
Recovery Fund - Eviction Prevention	21 027	Unknown	-	13,964
Pass through from Baltimore County				
Recovery Fund - Eviction Prevention	21 027	Unknown	-	29,392
Pass through from Maryland Legal Services Corp.				
Recovery Fund - Eviction Prevention	21 027	Unknown	-	320,578
Pass through from State of Maryland, Department of Housing and Community Development				
Homeowner Assistance Fund	21 026	Unknown	-	111,966
Total American Rescue Plan Act			-	475,900

The accompanying notes are an integral part of this schedule.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Expenditures of Federal Awards (continued) For the Year Ended December 31, 2022

Federal Grantor/Program Title Pass Through Grantor/Program or Cluster Title	Assistance Listing/Grant Number	Pass-Through Entity Identifying Number	Amount Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of the Treasury (continued)				
Emergency Rental Assistance Program (ERAP)				
Pass through from Charles County				
ERA 1 Program	21 023	Unknown	\$ -	\$ 173,025
Pass through from Maryland Legal Services Corp				
ERA 2 Program	21 023	Unknown	-	215,283
Pass through from Frederick County				
ERA 2 Program	21 023	Unknown	-	14,849
Pass through from Montgomery County				
ERA 2 Program	21 023	Unknown	-	5,714
Pass through from Queen Anne's County				
ERA 1 Program	21 023	Unknown	-	937
Pass through from Wicomico County				
ERA 1 Program	21 023	Unknown	-	37,376
Total Emergency Rental Assistance Program (ERAP)			-	447,184
Total U.S. Department of the Treasury			-	923,084
U.S. Department of Health and Human Services				
Pass through the Maryland Office on Aging:				
Special Programs for the Aging, Title III, Part B, Grants, for Supportive Services and Senior Centers-Aging Cluster				
Anne Arundel County	93 044	Unknown	-	30,041
Baltimore County	93 044	Unknown	-	87,836
Calvert County	93 044	Unknown	-	7,166
Carroll County	93 044	Unknown	-	13,985
Cecil County	93 044	Unknown	-	3,619
Charles County	93 044	Unknown	-	6,850
Frederick County	93 044	Unknown	-	11,407
Harford County	93 044	Unknown	-	8,559
Howard County	93 044	Unknown	-	12,397
Mac, Inc Area on Aging: Dorchester, Somerset, Wicomico & Worcester Counties	93 044	Unknown	-	11,959
Montgomery County	93 044	Unknown	-	59,953
Prince George's County	93 044	Unknown	-	42,648
Queen Anne's County	93 044	Unknown	-	3,331
St Mary's County	93 044	Unknown	-	4,606
Total Special Programs for the Aging, Title III, Part B, Grants, for Supportive Services and Senior Centers-Aging Cluster			-	304,357
Pass through from Associated Black Charities, Inc., Administrative Fiscal Agent for Baltimore City Health Department				
HIV Emergency Relief Grant Program EMA	93 914	H89 HA00017-28-00	-	18,244
Pass through from Connections Thru Life, Inc, Administrative Fiscal Agent for Baltimore City Health Department				
HIV Emergency Relief Grant Program EMA	93 914	H89 HA00017-31-01	-	118,228
Pass through from State of Maryland, Department of Housing and Community Development				
CSBG-D-CV	93 569	Unknown	-	18,165
Pass through from Garrett County Health Department				
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93 912	Unknown	-	2,291
Total U.S. Department of Health and Human Services			-	461,285
Total Expenditures of Federal Awards			\$ 8,337	\$ 8,598,880

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Legal Aid Bureau, Inc. and its subsidiary, Maryland Center for Legal Assistance (MCLA), (together, Maryland Legal Aid) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the Office of Management and Budget (OMB) Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. The programs on the schedule of expenditures of Federal awards (the Schedule) represent all Federal award programs with fiscal year 2022, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 40% of Federally granted funds. Actual coverage was 75%. The major programs tested are listed below.

Expenditures reported on the Schedule are recognized following the cost principles contained in the Single Audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Maryland Legal Aid has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Federal Programs</u>	<u>Assistance Listing/Grant Number</u>	<u>Federal Expenditures</u>
Basic Field and Migrant Worker Grants	09.321016	<u>\$ 6,455,561</u>

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of Maryland Legal Aid and is presented on the accrual basis of accounting.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I - Summary of Independent Public Accountants' Results

Financial Statements

Type of Report of Independent Public Accountants issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Type of Report of Independent Public Accountants issued on compliance for major Federal programs: Unmodified

Internal controls over major Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Federal Programs:

Major Federal Programs	Assistance Listing/Grant Number	Federal Expenditures
Basic Field and Migrant Worker Grants	09.321016	\$ 6,455,561
Threshold for distinguishing between Type A and B programs		\$ 750,000
Did Maryland Legal Aid qualify as a low-risk auditee?		No

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2022

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings

None.

LEGAL AID BUREAU, INC. AND SUBSIDIARY

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2022**

There were no prior year findings in the December 31, 2021 single audit report.

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS**

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position As of December 31, 2022

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash	\$ 2,335,518	\$ 1,114,537	\$ -	\$ 3,450,055
Cash - client trust fund	8,028	-	-	8,028
Investments	18,849,563	743,365	-	19,592,928
Grants and contracts receivable, net	10,709,372	1,478,386	-	12,187,758
Prepaid expenses and other current assets	336,586	10,700	(112,756)	234,530
Property, plant and equipment, net	3,470,067	-	-	3,470,067
Right of use assets	8,153,083	-	-	8,153,083
Lease deposits	45,299	-	-	45,299
Retirement related assets	75,650	-	-	75,650
Investment in subsidiary	2,902,703	-	(2,902,703)	-
Total Assets	46,885,869	3,346,988	(3,015,459)	47,217,398
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	777,400	178,892	(112,756)	843,536
Deferred revenue	1,264,531	-	-	1,264,531
Accrued salaries and benefits	782,403	158,718	-	941,121
Client trust fund payable	8,028	-	-	8,028
Accrued vacation	828,136	106,675	-	934,811
Paycheck Protection Program loans	-	-	-	-
Deferred rent	-	-	-	-
Lease liabilities	8,434,440	-	-	8,434,440
Retirement related liabilities	75,650	-	-	75,650
Total Liabilities	12,170,588	444,285	(112,756)	12,502,117
Net Assets				
Without donor restriction	21,385,795	2,814,703	(2,814,703)	21,385,795
With donor restrictions	13,329,486	88,000	(88,000)	13,329,486
Total Net Assets	34,715,281	2,902,703	(2,902,703)	34,715,281
Total Liabilities and Net Assets	\$ 46,885,869	\$ 3,346,988	\$ (3,015,459)	\$ 47,217,398

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position As of December 31, 2021

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash	\$ 1,386,118	\$ 811,248	\$ -	\$ 2,197,366
Cash - client trust fund	8,028	-	-	8,028
Investments	16,546,192	748,153	-	17,294,345
Grants and contracts receivable	8,327,425	1,535,156	-	9,862,581
Prepaid expenses and other current assets	229,617	7,306	(114,596)	122,327
Property, plant and equipment, net	2,871,236	-	-	2,871,236
Right of use assets	7,894,556	-	-	7,894,556
Lease deposits	41,799	-	-	41,799
Retirement related assets	74,547	-	-	74,547
Other assets	2,011,313	-	-	2,011,313
Investment in subsidiary	2,673,088	-	(2,673,088)	-
Total Assets	42,063,919	3,101,863	(2,787,684)	42,378,098
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	399,979	192,329	(114,596)	477,712
Deferred revenue	1,441,613	-	-	1,441,613
Accrued salaries and benefits	743,012	138,491	-	881,503
Client trust fund payable	8,028	-	-	8,028
Accrued vacation	805,481	97,955	-	903,436
Lease liabilities	8,063,834	-	-	8,063,834
Retirement related liabilities	74,547	-	-	74,547
Total Liabilities	11,536,494	428,775	(114,596)	11,850,673
Net Assets				
Without donor restriction	20,541,621	2,585,088	(2,585,088)	20,541,621
With donor restrictions	9,985,804	88,000	(88,000)	9,985,804
Total Net Assets	30,527,425	2,673,088	(2,673,088)	30,527,425
Total Liabilities and Net Assets	\$ 42,063,919	\$ 3,101,863	\$ (2,787,684)	\$ 42,378,098

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2022

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
Net assets without Donor Restrictions				
Operating Revenues				
Grants and contributions:				
Legal Services Corporation	\$ 6,455,561	\$ -	\$ -	\$ 6,455,561
Maryland Legal Services Corporation	5,444,719	-	-	5,444,719
Individual contributions and foundations	655,240	-	-	655,240
Government and other contracts	6,666,948	5,560,400	-	12,227,348
Management fees from subsidiary	911,826	-	(911,826)	-
Interest and other income investment loss	(93,956)	5,247	-	(88,709)
Total Revenues	20,040,338	5,565,647	(911,826)	24,694,159
Net assets released from restriction				
Maryland Legal Services Corporation	6,803,856	-	-	6,803,856
Other	577,813	88,000	-	665,813
Total net assets released from restriction	7,381,669	88,000	-	7,469,669
Total Operating Revenues and Support	27,422,007	5,653,647	(911,826)	32,163,828
Expenses				
Program services	21,482,960	5,424,032	(911,826)	25,995,166
Management and general	5,008,884	-	-	5,008,884
Fundraising	315,604	-	-	315,604
Total Expenses	26,807,448	5,424,032	(911,826)	31,319,654
Change in Net Assets Without Donor Restrictions Before Non-Operating Revenue	614,559	229,615	-	844,174
Non-Operating Revenue				
Gain on investment in subsidiary	229,615	-	(229,615)	-
Pension asset remeasurement	-	-	-	-
Total Non-Operating Revenue	229,615	-	(229,615)	-
Change in Net Assets Without Donor Restrictions	844,174	229,615	(229,615)	844,174
With Donor Restrictions				
Maryland Legal Services Corporation	10,258,330	-	-	10,258,330
Government and other contracts	338,521	88,000	-	426,521
Individual contributions and foundations	128,500	-	-	128,500
Satisfaction of restrictions	(7,381,669)	(88,000)	-	(7,469,669)
Change in Net Assets with Donor Restrictions	3,343,682	-	-	3,343,682
Changes in net assets	4,187,856	229,615	(229,615)	4,187,856
Net assets, beginning of year	30,527,425	2,673,088	(2,673,088)	30,527,425
Net Assets, End of Year	\$ 34,715,281	\$ 2,902,703	\$ (2,902,703)	\$ 34,715,281

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2021

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
Without Donor Restrictions				
Operating Revenues				
Grants and contributions:				
Legal Services Corporation	\$ 5,540,258	\$ -	\$ -	\$ 5,540,258
Maryland Legal Services Corporation	3,908,287	-	-	3,908,287
Individual contributions and foundations	578,778	-	-	578,778
Government and other contracts	6,152,671	5,068,538	-	11,221,209
Forgiveness of Paycheck Protection Program Loan	3,900,300	493,300	-	4,393,600
Management fees from subsidiary	804,031	-	(804,031)	-
Interest and other income	402,636	(1,847)	-	400,789
Total Revenues	<u>21,286,961</u>	<u>5,559,991</u>	<u>(804,031)</u>	<u>26,042,921</u>
Net assets released from restriction				
Maryland Legal Services Corporation	9,034,239	-	-	9,034,239
Other	559,353	102,000	-	661,353
Total net assets released from restriction	<u>9,593,592</u>	<u>102,000</u>	<u>-</u>	<u>9,695,592</u>
Total Operating Revenues	<u>30,880,553</u>	<u>5,661,991</u>	<u>(804,031)</u>	<u>35,738,513</u>
Expenses				
Program services	21,502,031	4,781,197	(804,031)	25,479,197
Management and general	4,640,004	-	-	4,640,004
Fundraising	290,685	-	-	290,685
Total Expenses	<u>26,432,720</u>	<u>4,781,197</u>	<u>(804,031)</u>	<u>30,409,886</u>
Changes in Net Assets Without Donor Restrictions Before Non-Operating Revenue and (Expense)	<u>4,447,833</u>	<u>880,794</u>	<u>-</u>	<u>5,328,627</u>
Non-Operating Revenue				
Gain on investment in subsidiary	866,794	-	(866,794)	-
Pension remeasurement	-	-	-	-
Total Non-Operating Revenue	<u>866,794</u>	<u>-</u>	<u>(866,794)</u>	<u>-</u>
Change in Net Assets Without Donor Restrictions	<u>5,314,627</u>	<u>880,794</u>	<u>(866,794)</u>	<u>5,328,627</u>
With Donor Restrictions				
Maryland Legal Services Corporation	8,694,483	-	-	8,694,483
Government and other contracts	328,245	88,000	-	416,245
Individual contributions and foundations	414,001	-	-	414,001
Satisfaction of restrictions	(9,593,592)	(102,000)	-	(9,695,592)
Change in Net Assets with Donor Restrictions	<u>(156,863)</u>	<u>(14,000)</u>	<u>-</u>	<u>(170,863)</u>
Changes in net assets	5,157,764	866,794	(866,794)	5,157,764
Net assets, beginning of year	25,369,661	1,806,294	(1,806,294)	25,369,661
Net Assets, End of Year	<u>\$ 30,527,425</u>	<u>\$ 2,673,088</u>	<u>\$ (2,673,088)</u>	<u>\$ 30,527,425</u>

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Cash Flows For the Year Ended December 31, 2022

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
Cash Flows from Operating Activities				
Changes in net assets	\$ 4,187,856	\$ 229,615	\$ (229,615)	\$ 4,187,856
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Depreciation	290,067	-	-	290,067
Amortization of right of use assets	1,285,979	-	-	1,285,979
Reinvested investment income	(42,815)	(1,871)	-	(44,686)
Effect of changes in non-cash operating assets and liabilities:				
Grants and contracts receivables, net	(2,381,947)	56,770	-	(2,325,177)
Prepaid expenses and other current assets	(106,969)	(3,394)	(1,840)	(112,203)
Lease deposits	(3,500)	-	-	(3,500)
Investment in subsidiary	(229,615)	-	229,615	-
Other assets	2,011,313	-	-	2,011,313
Accounts payable and accrued expenses	377,421	(13,437)	1,840	365,824
Deferred revenue	(177,082)	-	-	(177,082)
Accrued salaries, benefits and vacation	62,046	28,947	-	90,993
Lease liabilities	(1,173,901)	-	-	(1,173,901)
Net Cash Flows from Operating Activities	4,098,853	296,630	-	4,395,483
Cash Flows from Investing Activities				
Purchases of property, plant and equipment	(888,898)	-	-	(888,898)
Proceeds from sales of investments	8,518,996	258,717	-	8,777,713
Purchase of investments	(10,779,551)	(252,058)	-	(11,031,609)
Net Cash Flows from Investing Activities	(3,149,453)	6,659	-	(3,142,794)
Net Change in Cash	949,400	303,289	-	1,252,689
Cash, beginning of year	1,386,118	811,248	-	2,197,366
Cash, End of Year	\$ 2,335,518	\$ 1,114,537	\$ -	\$ 3,450,055
Supplemental Schedule of Noncash Investing Activity:				
Acquisition of right of use assets	\$ 1,544,507	\$ -	\$ -	\$ 1,544,507

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Consolidating Statement of Cash Flows For the Year Ended December 31, 2021

	Legal Aid Bureau, Inc.	Maryland Center for Legal Assistance	Eliminations	Consolidated
Cash Flows from Operating Activities				
Changes in net assets	\$ 5,157,764	\$ 866,794	\$ (866,794)	\$ 5,157,764
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Depreciation	277,219	-	-	277,219
Forgiveness of Paycheck Protection Program Loans	(3,900,300)	(493,300)	-	(4,393,600)
Gain on sale of property	(97,925)	-	-	(97,925)
Amortization on right of use assets	1,050,676	-	-	1,050,676
Reinvested investment (income)/losses	(65,325)	1,847	-	(63,478)
Effect of changes in non-cash operating assets and liabilities:				
Grants and contracts receivable	(277,530)	(397,330)	-	(674,860)
Prepaid expenses and other current assets	67,627	(758)	34,462	101,331
Investment in subsidiary	(866,794)	-	866,794	-
Other assets	(43,765)	-	-	(43,765)
Accounts payable and accrued expenses	(67,701)	65,615	(34,462)	(36,548)
Deferred revenue	(163,417)	-	-	(163,417)
Accrued salaries, benefits and vacation	(54,432)	57,905	-	3,473
Lease liabilities	(1,058,959)	-	-	(1,058,959)
Net Cash Flows from Operating Activities	<u>(42,862)</u>	<u>100,773</u>	<u>-</u>	<u>57,911</u>
Cash Flows from Investing Activities				
Purchases of property and equipment	(384,047)	-	-	(384,047)
Proceeds from sale of property	97,925	-	-	97,925
Proceeds from sales of investments	17,343,352	-	-	17,343,352
Purchase of investments	<u>(16,177,685)</u>	<u>(750,000)</u>	<u>-</u>	<u>(16,927,685)</u>
Net Cash Flows from Investing Activities	<u>879,545</u>	<u>(750,000)</u>	<u>-</u>	<u>129,545</u>
Net Change in Cash	836,683	(649,227)	-	187,456
Cash, beginning of year	549,435	1,460,475	-	2,009,910
Cash, End of Year	<u>\$ 1,386,118</u>	<u>\$ 811,248</u>	<u>\$ -</u>	<u>\$ 2,197,366</u>
Supplemental Schedule of Noncash Investing Activity:				
Acquisition of right of use assets	<u>\$ 9,122,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,122,793</u>

OTHER SUPPLEMENTAL INFORMATION

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Analysis of Support, Revenue and Expenses and Changes in Net Assets

Legal Services Corporation

For the Year Ended December 31, 2022, with Comparative Totals for 2021

	2022				
	Basic Field	Basic Field Carryover	Migrant	Total	Total 2021
Support and Revenue:		-			
Grant income received	\$ 5,500,975	\$ 792,715	\$ 160,874	\$ 6,454,564	\$ 5,442,022
Derivative Income	997	-	-	997	98,236
Total Support and Revenue	5,501,972	792,715	160,874	6,455,561	5,540,258
Expenses:					
Attorneys	2,535,490	396,358	10,701	2,942,549	2,361,253
Paralegal	594,966	396,357	80,772	1,072,095	657,996
Others	313,858	-	7,686	321,544	694,145
Employee benefits	845,495	-	29,469	874,964	879,772
Occupancy	662,486	-	10,810	673,296	501,026
Equipment rental	30,028	-	868	30,896	23,725
Supplies	24,771	-	610	25,381	25,157
Telephone	149,014	-	3,603	152,617	121,391
Travel	8,523	-	4,404	12,927	6,800
Training	20,325	-	3,108	23,433	4,842
Library	45,351	-	1,118	46,469	38,753
Insurance	22,965	-	569	23,534	23,739
Audit	15,456	-	455	15,911	10,683
Litigation	4,500	-	182	4,682	5,795
Contract services and other	228,744	-	6,519	235,263	185,181
Total Expenses	5,501,972	792,715	160,874	6,455,561	5,540,258
Excess of support and revenue over expenses	-	-	-	-	-
Net Assets, Beginning of Year					
Other changes in net assets:	-	-	-	-	-
Property and equipment acquisitions	-	-	-	-	-
Net Assets, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Private Bar Involvement

Legal Services Corporation

For the Year Ended December 31, 2022, with Comparative Totals for 2021

	2022			2021
	LSC	Non- LSC	Total	
Support and Revenue:				
Grant income received	\$ 68,786	\$ 451,195	\$ 519,981	\$ 546,497
Expenses:				
Attorneys	28,618	169,507	198,125	239,280
Paralegal	4,131	27,891	32,022	40,846
Others	9,740	92,714	102,454	77,566
Employee benefits	16,438	92,617	109,055	120,502
Occupancy	3,991	22,642	26,633	23,930
Equipment rental	146	678	824	1,109
Supplies	300	6,450	6,750	3,372
Telephone	1,244	8,368	9,612	9,536
Travel	247	1,702	1,949	513
Training	205	3,212	3,417	502
Library	342	1,688	2,030	1,677
Insurance	228	1,724	1,952	2,417
Dues and fees	-	-	-	-
Audit	152	1,269	1,421	1,431
Litigation	58	548	606	364
Contract services and other	2,946	20,185	23,131	23,452
Total Expenses	68,786	451,195	519,981	546,497
Excess of support and revenue over expenses	-	-	-	-
Net Assets, Beginning of Year	-	-	-	-
Other changes in net assets:				
Property and equipment acquisitions	-	-	-	-
Net Assets, End of Year	\$ -	\$ -	\$ -	\$ -

LEGAL AID BUREAU, INC. AND SUBSIDIARY

Schedule of Private Bar Involvement (continued)

Legal Services Corporation

For the Year Ended December 31, 2022 and 2021

As a recipient of LSC funds, Maryland Legal Aid is required to devote at least twelve and one-half percent (12.5%) of its current Legal Services Corporation (LSC) annualized basic field grant toward the involvement of private attorneys (PAI) in providing legal services.

Below is a summary of PAI support and expenses for the years ended December 31, 2022 and 2021.

	2022	2021
LSC basic field grant	\$ 5,500,975	\$ 5,250,141
LSC-PAI requirement 12.5%	12.50%	12.50%
Total LSC support required for PAI	687,622	656,268
 Total PAI expenses	519,981	546,497
Less donated services, when applicable	-	-
Total net expenditures for PAI	519,981	546,497
 PAI requirement/(shortfall)	\$ (167,641)	\$ (109,771)

For the years ended December 31, 2022 and 2021, Maryland Legal Aid did not meet the LSC PAI requirements based on the amounts awarded under the LSC basic field grants for each of the years. For the year ended December 31, 2022, a PAI waiver was requested on December 22, 2022, and approved on February 3, 2023, by the LSC. Maryland Legal Aid also received a waiver for the year ended December 31, 2021.