
**LEGAL SERVICES OF
EASTERN MISSOURI, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2023



Contents

	Page
Independent Auditors' Report	1 - 3
 Financial Statements	
Statement Of Financial Position.....	4
Statement Of Activities	5
Statement Of Functional Expenses	6
Statement Of Cash Flows.....	7
Notes To Financial Statements.....	8 - 21
 Supplementary Information	
Independent Auditors' Report On Supplementary Information.....	22
Combining Schedule Of Revenues, Expenses And Changes In Net Assets	23
Schedule Of Support, Revenues, Expenses And Changes In Net Assets For Legal Services Corporation Funds	24

Independent Auditors' Report

Board of Directors
Legal Services of Eastern Missouri, Inc.
St. Louis, Missouri

Report On The Audit Of The Financial Statements

Opinion

We have audited the financial statements of Legal Services of Eastern Missouri, Inc., a not-for-profit corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Legal Services of Eastern Missouri, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Legal Services of Eastern Missouri, Inc. 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 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 of Eastern Missouri, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 auditing standards generally accepted in the United States of America 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 financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Services of Eastern Missouri, Inc.'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 of Eastern Missouri, Inc.'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 of Eastern Missouri's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of Legal Services of Eastern Missouri, Inc.'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 Legal Services of Eastern Missouri, Inc.'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 Legal Services of Eastern Missouri, Inc.'s internal control over financial reporting and compliance.

RubinBrown LLP

September 27, 2024

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With Summarized Financial Information As Of December 31, 2022)

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 9,299,586	\$ 997,236
Restricted cash - client trust deposits	14,010	4,069
Investments (Note 3)	41,100,240	46,224,762
Grants receivable (Note 4)	1,429,335	888,896
Unconditional promises to give, net (Note 5)	568,959	582,302
Prepaid expenses	169,690	285,125
Miscellaneous receivable	50,000	—
Security deposits	59,561	59,561
Total Current Assets	52,691,381	49,041,951
Property, Furniture And Equipment		
Land	—	350,000
Building (less accumulated depreciation of \$43,868 in 2023 and \$1,991,733 in 2022)	361,469	1,614,913
Furniture and equipment (less accumulated depreciation \$185,548 in 2023 and \$291,696 in 2022)	114,887	26,642
Total Property, Furniture And Equipment	476,356	1,991,555
Right-of-Use Assets		
Right of use asset - operating lease	3,001,636	223,232
Right of use asset - finance lease	93,025	22,700
Total Right-of-Use Assets	3,094,661	245,932
Assets Restricted For Permanent Endowment (Notes 3 And 7)	60,980	48,610
Total Assets	\$ 56,323,378	\$ 51,328,048
Current Liabilities		
Accounts payable	\$ 323,637	\$ 265,005
Accrued expenses	1,218,499	930,702
Current portion of operating lease obligations (Note 6)	642,590	11,322
Current portion of finance lease obligations (Note 6)	22,522	7,992
Refundable advances (Note 4)	347,523	351,542
Client trust deposits	13,010	4,069
Total Current Liabilities	2,567,781	1,570,632
Noncurrent Liabilities		
Lease liability - operating lease (Note 6)	2,495,891	216,587
Lease liability - finance lease (Note 6)	68,868	14,096
Total Noncurrent Liabilities	2,564,759	230,683
Total Liabilities	5,132,540	1,801,315
Net Assets		
Without Donor Restrictions:		
Investment in property, furniture, and equipment	341,146	1,987,490
Designated for building capital (Note 12)	2,000,000	2,000,000
Designated for Cy Pres reserve for operations (Note 12)	1,500,000	1,500,000
Designated for Teitelman Fund (Note 12)	1,000,000	1,000,000
Designated for Endowment (Note 7)	30,461,428	—
Undesignated	15,207,193	41,842,087
Total Net Assets Without Donor Restrictions	50,509,767	48,329,577
With donor restrictions (Note 8)	681,071	1,197,156
Total Net Assets	51,190,838	49,526,733
Total Liabilities And Net Assets	\$ 56,323,378	\$ 51,328,048

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2023 (With Summarized Financial Information For The Year Ended December 31, 2022)

	2023			2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Revenue, Gains And Other Support					
Contributions:					
Public support	\$ 2,228,607	\$ —	\$ 2,228,607	\$ 507,953	
United Way support	594,594	—	594,594	593,909	
Grants (Note 4):					
Government grants	8,372,716	—	8,372,716	42,905,665	
Foundation grants	1,243,243	—	1,243,243	1,655,341	
Donated services	1,057,111	—	1,057,111	998,842	
Special events	121,395	—	121,395	141,285	
Program income	16,450	—	16,450	453,029	
Investment income (loss)	3,416,624	—	3,416,624	(362,908)	
Other income	—	—	—	1,011	
Gain on lease disposal	1,102,551	—	1,102,551	—	
Net assets released from restrictions (Note 8)	516,085	(516,085)	—	—	
Total Revenue, Gains And Other Support	18,669,376	(516,085)	18,153,291	46,894,127	
Expenses					
Program services	14,023,553	—	14,023,553	10,380,234	
Management and general (Note 10)	1,919,171	—	1,919,171	1,425,609	
Fundraising:					
Special events	67,686	—	67,686	50,756	
Development	478,776	—	478,776	271,219	
Total Expenses	16,489,186	—	16,489,186	12,127,818	
Increase (Decrease) In Net Assets	2,180,190	(516,085)	1,664,105	34,766,309	
Net Assets - Beginning Of Year	48,329,577	1,197,156	49,526,733	14,760,424	
Net Assets - End Of Year	\$ 50,509,767	\$ 681,071	\$ 51,190,838	\$ 49,526,733	

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2023 (With Summarized Financial Information For The Year Ended December 31, 2022)

	2023			2022	
	Program Services	Management And General	Fundraising And Development	Total	Total
Salaries And Related Expenses					
Lawyers	\$ 4,635,695	\$ 16,556	\$ —	\$ 4,652,251	\$ 3,960,771
Para-professionals	2,936,054	137	—	2,936,191	2,288,740
Other	214,154	678,258	263,419	1,155,831	1,114,461
Fringe benefits and payroll taxes	1,928,836	210,109	52,966	2,191,911	1,659,306
Volunteer staff	1,057,111	—	—	1,057,111	998,842
Total Salaries And Related Expenses	10,771,850	905,060	316,385	11,993,295	10,022,120
Other Expenses					
Contracted services	1,140,254	373,882	22,301	1,536,437	747,297
Judicare	48,707	—	—	48,707	48,707
Equipment rental and computer maintenance	27,513	1,956	77	29,546	46,549
Insurance	62,915	4,001	1,508	68,424	57,381
Library	64,340	27	14	64,381	72,847
Litigation	154,100	174	4	154,278	76,330
Loss on disposal of property	—	—	—	—	560
Interest	—	3,135	—	3,135	1,049
Occupancy	1,025,927	70,187	35,426	1,131,540	390,073
Office supplies and expense	276,237	172,783	15,380	464,400	120,023
Professional fees	—	71,000	—	71,000	48,900
Program travel	65,168	6,604	546	72,318	25,132
Telephone	41,497	2,611	1,588	45,696	36,980
Training	158,662	11,877	15,052	185,591	104,586
Depreciation and amortization	138,917	20,464	5,808	165,189	102,068
Other direct expenses	47,466	275,410	132,373	455,249	227,216
Total Other Expenses	3,251,703	1,014,111	230,077	4,495,891	2,105,698
Total Functional Expenses	\$ 14,023,553	\$ 1,919,171	\$ 546,462	\$ 16,489,186	\$ 12,127,818

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2023 (With Summarized Financial Information For The Year Ended December 31, 2022)

	2023	2022
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,664,105	\$ 34,766,309
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	165,189	102,068
Gain on disposal of property	1,835,334	18,000
Net realized loss (gain) on investments	76,435	36,487
Net unrealized loss (gain) on investments	(1,682,853)	1,108,489
Changes in assets and liabilities:		
Grants receivable	(540,439)	(411,412)
Unconditional promises to give	13,343	(14,193)
Prepaid expenses	115,435	(128,621)
Miscellaneous receivable	(50,000)	5,268
Accounts payable	58,632	183,701
Accrued expenses and refundable advances	283,778	296,968
Operating leases	132,168	4,677
Client trust deposits	8,941	(55,717)
Net Cash Provided By Operating Activities	2,080,068	35,912,024
Cash Flows From Investing Activities		
Proceeds from sale or maturity of investments	53,808,147	11,666,753
Purchases of investments	(47,089,577)	(47,077,207)
Payments for property, furniture and equipment	(467,022)	(92,711)
Net Cash Provided By (Used In) Investing Activities	6,251,548	(35,503,165)
Cash Flows Used In Financing Activities		
Payments on finance lease	(19,325)	(6,990)
Net Increase In Cash And Cash Equivalents	8,312,291	401,869
Cash And Cash Equivalents - Beginning Of Year	1,001,305	599,436
Cash And Cash Equivalents - End Of Year	\$ 9,313,596	\$ 1,001,305
Supplementary Cash Flow Information		
Interest paid	\$ 3,135	\$ 1,049
Inception of new financing lease	88,628	—

LEGAL SERVICES OF EASTERN MISSOURI, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. Summary Of Significant Accounting Policies

Estimates And Assumptions

Legal Services of Eastern Missouri, Inc. (the Corporation) uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis Of Accounting

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting.

Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) for not-for-profit organizations. Accordingly, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Cash, Restricted Cash And Cash Equivalents

The Corporation maintains several cash accounts at local banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per bank. As of December 31, 2023, the Corporation had no cash deposits in excess of the insured limits. The Corporation does have restricted cash balances that are made up of client trust deposits. The restricted cash balance is \$14,010 as of December 31, 2023.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

Investments

The Corporation accounts for investments at fair value and at December 31, 2023 had investments of \$41,161,220 reported on the statement of financial position. Gains or losses on sales of investments are determined on a specific cost-identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Corporation management is of the opinion that an allowance for uncollectible grants receivable is not necessary at December 31, 2023.

Unconditional Promises To Give

Unconditional promises to give are recognized as support in the period the promises are received. The Corporation provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all promises to give. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing receivables. The allowance for doubtful accounts is \$3,445 as of December 31, 2023.

Support And Revenue With Donor Restrictions And Without Donor Restrictions

The Corporation reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit the use of the donated assets. Promises to give in the future are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

As permitted by FASB ASU 958, contributions with donor restrictions that are met within the same year as the contributions are received are reported in net assets without donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Corporation has the policy of not investing in equity securities. If equity securities are contributed, they are recorded as a contribution at the fair value on the date of the contribution. They are converted to cash shortly thereafter.

Description Of Program And Supporting Services

Program

Includes those expenditures for programs and other items that enable the Corporation to provide legal assistance to qualified individuals.

Management And General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Corporation's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Corporation.

Fundraising And Development

Provides the structure necessary to encourage and secure financial support from government agencies, corporations, foundations and individuals.

Property, Furniture And Equipment

Property, furniture and equipment are valued at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years. The building is being depreciated using the straight-line method over 39 years.

Repairs and maintenance charges, which do not increase the useful lives of the fixed assets, are charged to expense as incurred. Expenditures for betterments are capitalized.

Furniture and equipment acquired with Legal Services Corporation funds are considered to be owned by the Corporation while used in the current or future authorized programs. However, Legal Services Corporation has a reversionary interest in these assets. Proceeds from the sale of fixed assets are credited to the Legal Services Corporation Restricted Fund. The Corporation does not currently have any furniture or equipment that were acquired with Legal Services Corporation funds.

Leases

On January 1, 2022, the Corporation utilized the modified retrospective approach to adopt the provisions of Accounting Standards Codification (ASC) Topic 842, *Leases*, which includes a number of optional practical expedients that entities may elect to apply. The Corporation has elected certain practical expedients, including the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The initial adoption of ASC 842 did not result in a cumulative adjustment to net assets.

The Corporation maintains leases of an office facility and equipment. Lease Right-Of-Use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The ROU assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. The Corporation's leases generally have terms of one to ten years. The Corporation does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

As most leases do not provide an implicit discount rate, the Corporation estimates an incremental borrowing rate based on the information available at the lease commencement date to determine the present value of the lease payments. The estimated incremental borrowing rate represents the estimated rate of interest that would have been charged to borrow an amount equal to the lease payments on a collateralized basis for a similar period of time.

As most leases do not provide an implicit discount rate, the Corporation has made an election available to private companies that allows the use of the risk-free rate at the lease commencement date to determine the present value of the lease payments.

The Corporation's operating lease contains fixed rent escalations over the lease term, and the Corporation recognizes expense for these leases on a straight-line basis over the lease term. The Corporation recognizes the related lease expense on a straight-line basis and records the difference between the recognized lease expense and amounts payable under the lease as part of the ROU asset.

The Corporation does not separate non-lease components of a contract from the lease components to which they relate for all classes of lease assets.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

Donated Services

Donated services valued at \$1,057,111 for 2023 represent services donated by attorneys, law students, paralegals, and social workers. Donated services are valued at rates comparable to those paid for these professionals within the metropolitan area.

Donated services are recognized both as revenue and expense and, therefore, do not affect net assets without donor restrictions.

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. Salaries, payroll taxes, fringe benefits and related costs are allocated based on actual hours worked. The remaining costs are allocated based on the percentage distribution of salaries.

Grant and contract support received from funding organizations is used to help support the service areas as specified by the grant or contract. Expenses incurred in the specified service areas are charged against the grant or contract to the extent of support received, with allowable expenditures in excess of grant or contract support being borne by the Basic Civil Legal Services Fund, United Way, and unrestricted donations. In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated as agreed by funding organizations or, in the absence of an agreement, on the basis that appears most reasonable to the Corporation.

New Accounting Pronouncement - Credit Losses

As of January 1, 2023, the Corporation adopted Accounting Standards Codification (ASC) Topic 326, *Financial Instruments - Credit Losses*, using a modified-retrospective approach. The standard replaces the previous incurred loss model and requires entities to record an estimate of expected losses on financial assets for the remaining estimated life of the asset. This estimate includes consideration of historical experience, current conditions, and reasonable and supportable forecasts. The standard applies to the Corporation's other accounts receivable. The adoption did not have a material impact on the Corporation's financial statements.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

2. Organization

The Corporation is a not-for-profit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons financially unable to afford legal assistance in St. Louis and the surrounding areas. The Corporation is principally funded through grants and contributions from Legal Services Corporation, Missouri Civil Legal Services Fund and United Way of Greater St. Louis, Inc.

Legal Services Corporation is a not-for-profit organization established by Congress to administer a nationwide legal assistance program. Funding for Legal Services Corporation is provided by an annual Congressional appropriation.

3. Investments

Investments are included within the following captions on the statement of financial position:

Current assets - investments	\$ 41,100,240
Assets restricted for permanent endowment	<u>60,980</u>
	<u>\$ 41,161,220</u>

The Corporation utilizes an established framework for measuring fair value of investments. That framework defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The framework requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset.
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1* Quoted prices that are readily available in active markets/ exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2023:

	Cost	Fair Value	Level 1	Level 2	Level 3
Mutual Funds:					
Emerging Markets	\$ 2,106,981	\$ 2,153,220	\$ 2,153,220	\$ —	\$ —
International Value	5,077,409	5,262,869	5,262,869	—	—
Exchange Traded Funds:					
BlackRock High Yield	1,983,761	2,063,544	2,063,544	—	—
Flexshares Trust	3,883,367	3,879,632	3,879,632	—	—
Ishares Trust	26,687,993	27,801,955	27,801,955	—	—
	<u>\$ 39,739,511</u>	<u>\$ 41,161,220</u>	<u>\$ 41,161,220</u>	<u>\$ —</u>	<u>\$ —</u>

For the year ended December 31, 2023, the Corporation earned unrealized gains totaling \$1,682,853.

4. Summary Of Funding And Grants Receivable

Legal Services of Eastern Missouri, Inc. is funded primarily through grants from Legal Services Corporation and the Missouri Civil Legal Services Fund. The Corporation also receives other grant funds from contracts and grants with state and local governmental organizations.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

The Corporation's primary funding grants and contracts in effect during 2023 were as follows:

Government Grants and Foundation Grants	
Legal Services Corporation:	
Basic grant	\$ 2,677,599
Pro Bono Innovation Fund	232,446
Rural Stipend	7,000
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	2,917,045
Missouri Civil Legal Services Fund	1,052,463
Missouri Department of Social Services	524,130
Missouri Foundation for Health	418,450
Department of Housing and Urban Development	1,232,585
St. Louis City Mental Health Board	763,274
St. Louis County Children's Service Fund	121,561
St. Louis Economic Development Partnership	50,339
City of St. Louis	528,307
Missouri Lawyers Trust (IOLTA)	254,155
Connecting Kid to Coverage Outreach and Enrollment	268,214
Missouri Bar dues	279,671
Wells Fargo	85,304
U.S. Department of Justice	201,373
National Health Law Program	151,650
Other government grants and foundation grants	767,438
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	\$ 9,615,959
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Grants Receivable	
Legal Services Corporation - Pro Bono Innovation Fund	\$ 180,642
St Louis Children's Foundation	72,670
Department of Housing and Urban Development	358,020
Missouri Foundation for Health	86,123
Missouri Department of Social Services	149,356
Connecting Kids to Coverage Outreach and Enrollment	141,935
U.S. Department of Justice	12,684
City of St. Louis	189,526
St. Louis Economic Development Partnership	39,160
Burlington County Library	67,698
Various other grants	131,521
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	\$ 1,429,335
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Refundable Advances	
National Health Law Program	\$ 17,564
St. Louis County Housing Authority	72,126
MFH - NVI	26,789
Wells Fargo Foundation	102,745
James S McDonnell Foundation	35,542
Charless Foundation	14,290
Response Fund Utilities Advocacy	22,465
Bayer Foundation	25,000
PNC Foundation	3,380
Enterprise	10,000
St. Louis Mental Health Board - YFAP	14,227
Center of Budget and Policy Priorities	3,395
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	\$ 347,523
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LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

5. Unconditional Promises To Give

Unconditional promises to give are expected to be collected as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 572,404
Less: Allowance for uncollectibles	3,445
	<u>\$ 568,959</u>

At December 31, 2023, all promises to give are considered to have donor restrictions. Unconditional promises to give include \$358 which is due from the United Way of Greater St. Louis, Inc.

6. Lease Obligations

The Corporation has two operating leases for office space, and three finance leases for equipment. The office leases expire in five to ten years, and one of the leases has escalating payments based on square footage. The equipment leases are for a phone system, copier, and postage machine, and have various expiration dates through July 2028. The phone lease has an option to purchase for \$1 at the end of the lease term, which the Corporation plans to execute.

Supplemental cash flow and other information related to leases are as follows:

	<u>2023</u>	<u>2022</u>
Cash flow information:		
ROU assets obtained in exchange for new operating lease obligations	\$ 3,352,515	\$ 226,392
ROU assets obtained in exchange for new finance lease obligations	88,628	24,762
Cash paid for operating leases included in operating activities	536,052	251
Cash paid for finance leases included in financing activities	19,325	6,990
Other information:		
Weighted-average remaining term - operating leases	4.57 years	9.84 years
Weighted-average remaining term - finance leases	4.72 years	2.75 years
Weighted-average discount rate - operating leases	3.69%	4.07%
Weighted-average discount rate - finance leases	3.84%	4.25%

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

Supplemental cash flow and other information related to leases are as follows:

		<u>2023</u>	<u>2022</u>
Finance Lease Costs	Classification		
Amortization of ROU assets	<i>Depreciation and amortization</i>	\$ 18,302	\$ 2,086
Interest	<i>Interest</i>	3,135	251
		<u>\$ 21,437</u>	<u>\$ 2,337</u>
Operating Lease Costs			
Operating lease costs	<i>Variable Lease Costs & Rent expense</i>	\$ 802,211	\$ 4,678

The reconciliation of the undiscounted cash flows for each of the next five years and total remaining years of the lease liabilities recorded on the balance sheet is as follows:

<u>Year</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 745,712	\$ 25,268
2025	759,243	22,343
2026	773,438	16,493
2027	789,966	16,493
2028	222,212	14,775
Thereafter	122,667	4,350
Total minimum lease payments	3,413,238	99,722
Less: Amount of lease payments representing interest	274,757	8,332
Present value of future minimum lease payments	3,138,481	91,390
Less: Current portion	642,590	22,522
Long-term lease liabilities	\$ 2,495,891	\$ 68,868

7. Endowment Funds

The Corporation's endowment fund consists of donor-restricted endowment funds. As required under ASC 958-210, assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

Interpretation Of State Law

The Corporation has interpreted Missouri State Statutes as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies the original value of donor-restricted gifts to permanent endowment and the original value of subsequent gifts to the permanent endowment as net assets with donor restriction. The investment earnings generated by donor-restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure.

As of December 31, 2023, the Corporation had the following endowment funds:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 60,980	\$ 60,980
Board-designated endowment funds	30,461,428	—	30,461,428
Total Funds	\$ 30,461,428	\$ 60,980	\$ 30,522,408

The following is a reconciliation of the beginning and ending balance of the Corporation's endowment investments:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets - January 1, 2023	\$ —	\$ 56,157	\$ 56,157
Board designated endowment contribution	29,258,063	—	29,258,063
Investment return: Interest and net realized and unrealized losses	1,203,365	4,823	1,208,188
Endowment assets, net of expense	\$ 30,461,428	\$ 60,980	\$ 30,522,408

It is the Corporation's policy to spend the investment growth (interest, dividends and appreciation - minus fees and expenses). The amount spent annually should equate to 4.0% but should not exceed 5.0% (not including management fees and other expenses which are permitted by UPMIFA), of a three-year rolling average market value (calculated as of the prior twelve fiscal quarter-ends) of the Endowment Fund.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

The spending policy for the endowment is governed by the Corporation's budget, donor restrictions on donor restricted funds and Board restrictions on board-designated funds. Additional distributions, other than those needed for cash fluctuations, are approved by the Board of Directors.

8. Net Assets

Net assets with donor restrictions consist of the following:

Endowment principal	\$ 48,610
Grants and contributions - subject to time restrictions	<u>632,461</u>
	<u>\$ 681,071</u>

Net assets were released from donor-imposed restrictions as follows:

IOLTA BOA	\$ 336,586
MFH EJP	167,803
Emerson EJP	7,924
United Way	<u>3,772</u>
	<u>\$ 516,085</u>

9. Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a "private foundation" within the meaning of Section 509(a) of the Code. The Corporation is subject to taxation to the extent it incurs unrelated business taxable income. The Corporation does not anticipate owing any unrelated business income taxes for 2023; therefore, no provision for income taxes has been made in the financial statements. The Corporation's federal tax returns for tax years 2020 and later remain subject to examination by taxing authorities.

10. Management, Administrative And General Costs

The Corporation estimates that its management, administrative and general costs (which include overall direction, accounting, budgeting, general Board activities and related items, administrative costs and volunteer efforts) were \$1,919,171 (10.6% of revenue, gains and other support) in 2023.

11. Deferred Compensation Plan

The Corporation has a qualified, noncontributory, trustee profit sharing plan covering eligible full-time employees. The plan provides for contributions by the Corporation in such amounts as the Board of Directors may annually determine. The Corporation incurred contributions of \$499,411 in 2023, which are included in accrued expenses on the balance sheet.

12. Designated For Building Capital And Cy Pres Reserve

The Corporation has an agreement with the three other Missouri legal services organizations to share all Cy Pres settlements in proportion to their respective poverty populations. Cy Pres settlements were awarded to the Corporation in the amount of \$2,841,020 in 2018 with the requirement that they remain with the Corporation. Therefore, the Corporation will forego its share of future awards under the agreement until the other three Missouri legal services organizations have been compensated from subsequent settlement awards. As of December 31, 2023, the Corporation has forgone \$985,165. Management estimates that it will take approximately ten years for the other three agencies to be fully compensated for the \$2,841,020 awarded in 2018.

Recognizing that the Corporation will forgo sharing in future cy pres settlements for approximately ten years, the Board of Directors made the following designations in 2019:

- \$1,000,000 of the 2018 Cy Pres award was designated to establish the Teitelman Fund to support an attorney position for advocacy work in the spirit of the work done by Judge Teitelman during his tenure.
- \$1,150,000 of the 2018 cy pres award was designated to the Building Capital and Litigation Related Expense Reserve fund, bringing this fund balance to \$2,000,000 as of December 31, 2023.
- \$657,894 was designated to the Cy Pres Reserve for operations. This fund is to be released annually at the discretion of the Board, to offset lost settlement funds the Corporation would have otherwise received under the sharing agreement. The board did not release any funds from the Cy Pres Reserve for operations in 2023 which when added to previous amounts in the Cy Pres reserve brings the total reserve to \$1,500,000 at the end of 2023.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

13. Contingencies

From time to time, the Corporation is subject to lawsuits and claims that arise out of the normal course of business. In the opinion of management, the disposition of such actions of which it is aware will not have a material effect on the financial position of the Corporation.

14. Liquidity And Availability Of Financial Assets

The following reflects the Corporation's liquidity within the next twelve months based on current assets as of the statement of financial position date. Amounts not available include amounts not available for general use because of contractual or donor-imposed restrictions and amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action. The Corporation generally maintains operating reserves to meet 4-6 months of operating expenses.

Current assets	\$ 52,691,381
Less:	
Client trust deposits	14,010
Prepaid expenses	169,690
Donor-restrictions for specific purposes	681,071
Board-designated operating reserves and other	<u>4,500,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 47,326,610</u>

Legal Services of Eastern Missouri's working capital and cash flow fluctuations during the year are mainly attributable to various fundraising events and a concentration of contributions received near calendar year-end. To manage liquidity, LSEM maintains a minimum of \$500,000 of reserves for operations in government securities and FDIC insured deposit accounts.

Independent Auditors' Report On Supplementary Information

Board of Directors
Legal Services of Eastern Missouri, Inc.
St. Louis, Missouri

We have audited the financial statements of Legal Services of Eastern Missouri, Inc. as of and for the year ended December 31, 2023, and our report thereon dated September 27, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The combining statement of revenues, expenses and changes in net assets on the fund accounting basis and schedule of support, revenues, expenses and changes in net assets for Legal Services Corporation funds, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

September 27, 2024

LEGAL SERVICES OF EASTERN MISSOURI, INC.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FUND ACCOUNTING BASIS

For The Year Ended December 31, 2023

(With Summarized Financial Information For The Year Ended December 31, 2022)

	Legal Services Corporation Fund	Private Attorney Involvement	Pro Bono Innovation Fund	Rural Stipend Fund	General Endowment	Other Funds	2023 Total	2022 Total
Public Support And Revenues								
Contributions:								
Public support	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,228,607	\$ 2,228,607	\$ 507,953
United Way support	—	—	—	—	—	594,594	594,594	593,909
Grants:								
Government grants	2,257,362	420,238	232,445	7,000	—	5,455,671	8,372,716	42,905,665
Foundation grants	—	—	—	—	—	1,243,243	1,243,243	1,655,341
Other revenues:								
Donated services	—	1,057,111	—	—	—	—	1,057,111	998,842
Special events	—	—	—	—	—	121,395	121,395	141,285
Program income	—	—	—	—	—	16,450	16,450	453,029
Investment income	4,737	—	—	—	—	3,411,887	3,416,624	(362,908)
Other income	—	—	—	—	—	—	—	1,011
Gain/(Loss) Fixed Asset Disposition	—	—	—	—	—	1,102,551	1,102,551	—
Total Public Support And Revenues	2,262,099	1,477,349	232,445	7,000	—	14,174,398	18,153,291	46,894,127
Expenses								
Program services	1,679,032	1,448,441	212,291	7,000	—	10,537,872	13,884,636	10,294,411
Supporting services - management and general	251,141	28,908	20,154	—	—	1,598,504	1,898,707	1,412,324
Fundraising and development	331,926	—	—	—	—	208,728	540,654	319,015
Depreciation	—	—	—	—	—	165,189	165,189	102,068
Total Expenses	2,262,099	1,477,349	232,445	7,000	—	12,510,293	16,489,186	12,127,818
Excess (Deficiency) Of Public Support And Revenues Over Expenses	—	—	—	—	—	1,664,105	1,664,105	34,766,309
Expiration Of Program And Time Restrictions	—	—	—	—	—	—	—	—
Increase (Decrease) In Fund Balance	—	—	—	—	—	1,664,105	1,664,105	34,766,309
Fund Balance - Beginning Of Year	—	—	—	—	48,610	49,478,123	49,526,733	14,760,424
Fund Balance - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ 48,610	\$ 51,142,228	\$ 51,190,838	\$ 49,526,733

LEGAL SERVICES OF EASTERN MISSOURI, INC.

SCHEDULE OF SUPPORT, REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR LEGAL SERVICES CORPORATION FUNDS

For The Year Ended December 31, 2023

(With Summarized Financial Information For The Year Ended December 31, 2022)

	2023						2022	
	Basic Field Grant	Private Attorney Involvement	Pro Bono Innovation Fund Grant	Rural Stipend	Total	Property	Grand Total	Grand Total
Support And Revenue								
Contributions:								
Public Support	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 208
Grants:								
Government grants	2,257,362	420,238	232,445	7,000	2,917,045	—	2,917,045	\$ 2,464,494
Donated services	—	1,057,111	—	—	1,057,111	—	1,057,111	998,842
Investment income:								
Interest income	4,737	—	—	—	4,737	—	4,737	2,997
Total Support And Revenue	2,262,099	1,477,349	232,445	7,000	3,978,893	—	3,978,893	3,466,541
Expenses								
Salaries and related expenses:								
Lawyers	640,555	68,001	79,329	—	787,885	—	787,885	808,350
Para-professionals	593,691	183,475	81,146	—	858,312	—	858,312	807,450
Other	428,992	22,676	17,827	7,000	476,495	—	476,495	189,523
Employee benefits	416,029	74,063	44,614	—	534,706	—	534,706	416,979
Donated services	—	1,057,111	—	—	1,057,111	—	1,057,111	998,842
Total salaries and related expenses	2,079,267	1,405,326	222,916	7,000	3,714,509	—	3,714,509	3,221,144
Other expenses:								
Contracted services	—	2,806	1,339	—	4,145	—	4,145	66,272
Judicare	—	48,707	—	—	48,707	—	48,707	48,707
Equipment rental or lease	683	37	—	—	720	—	720	613
Computer maintenance	978	149	—	—	1,127	—	1,127	1,600
Insurance	14,708	1,456	—	—	16,164	—	16,164	4,234
Library	2,736	56	316	—	3,108	—	3,108	3,682
Litigation	11,746	4,088	—	—	15,834	—	15,834	11,062
Occupancy	6,259	1,487	—	—	7,746	—	7,746	41,410
Office supplies and expense	10,216	4,000	258	—	14,474	—	14,474	21,828
Professional fees	71,000	—	—	—	71,000	—	71,000	12,129
Program travel	4,274	2,264	2,500	—	9,038	—	9,038	6,059
Telephone	19,038	1,405	—	—	20,443	—	20,443	8,669
Training	25,715	4,876	4,328	—	34,919	—	34,919	18,277
Other direct expenses	15,479	692	788	—	16,959	—	16,959	855
Total other expenses	182,832	72,023	9,529	—	264,384	—	264,384	245,397
Total Expenses	2,262,099	1,477,349	232,445	7,000	3,978,893	—	3,978,893	3,466,541
Total Changes In Net Assets	—	—	—	—	—	—	—	—
Net Assets - Beginning Of Year	—	—	—	—	—	—	—	—
Net Assets - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —