
**LEGAL SERVICES OF
EASTERN MISSOURI, INC.**
FINANCIAL STATEMENTS
DECEMBER 31, 2024



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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 July 29, 2025, 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

July 29, 2025

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2024

(With Summarized Financial Information As Of December 31, 2023)

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 2,203,951	\$ 9,299,586
Restricted cash - client trust deposits	6,534	14,010
Investments (Note 3)	48,277,756	41,100,240
Grants receivable (Note 4)	842,087	1,429,335
Unconditional promises to give, net (Note 5)	515,040	568,959
Prepaid expenses	102,114	169,690
Miscellaneous receivable	—	50,000
Security deposits	59,561	59,561
Total Current Assets	52,007,043	52,691,381
Property, Furniture And Equipment		
Building (less accumulated depreciation of \$92,557 in 2024 and \$43,868 in 2023)	312,780	361,469
Furniture and equipment (less accumulated depreciation \$182,340 in 2024 and \$185,548 in 2023)	108,925	114,887
Total Property, Furniture And Equipment	421,705	476,356
Right-of-Use Assets		
Right of use asset - operating lease	2,363,378	3,001,636
Right of use asset - finance lease	71,216	93,025
Total Right-of-Use Assets	2,434,594	3,094,661
Assets Restricted For Permanent Endowment (Notes 3 And 7)	66,486	60,980
Total Assets	\$ 54,929,828	\$ 56,323,378
Current Liabilities		
Accounts payable	\$ 118,199	\$ 323,637
Accrued expenses	1,339,551	1,218,499
Current portion of operating lease obligations (Note 6)	680,691	642,590
Current portion of finance lease obligations (Note 6)	20,400	22,522
Refundable advances (Note 4)	132,216	347,523
Client trust deposits	5,697	13,010
Total Current Liabilities	2,296,754	2,567,781
Noncurrent Liabilities		
Lease liability - operating lease (Note 6)	1,815,200	2,495,891
Lease liability - finance lease (Note 6)	48,824	68,868
Total Noncurrent Liabilities	1,864,024	2,564,759
Total Liabilities	4,160,778	5,132,540
Net Assets		
Without Donor Restrictions:		
Investment in property, furniture, and equipment	291,184	341,146
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)	33,571,577	30,461,428
Undesignated	11,832,583	15,207,193
Total Net Assets Without Donor Restrictions	50,195,344	50,509,767
With donor restrictions (Note 8)	573,706	681,071
Total Net Assets	50,769,050	51,190,838
Total Liabilities And Net Assets	\$ 54,929,828	\$ 56,323,378

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2024 (With Summarized Financial Information For The Year Ended December 31, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains And Other Support				
Contributions:				
Public support	\$ 891,986	\$ —	\$ 891,986	\$ 2,228,607
United Way support	534,643	—	534,643	594,594
Grants (Note 4):				
Government grants	7,750,997	—	7,750,997	8,372,716
Foundation grants	1,649,695	—	1,649,695	1,243,243
Donated services	932,095	—	932,095	1,057,111
Special events	116,810	—	116,810	121,395
Program income	27,585	—	27,585	16,450
Investment income (loss)	4,104,483	—	4,104,483	3,416,624
Other income	5,273	—	5,273	—
Gain on lease disposal	—	—	—	1,102,551
Net assets released from restrictions (Note 8)	107,365	(107,365)	—	—
Total Revenue, Gains And Other Support	16,120,932	(107,365)	16,013,567	18,153,291
Expenses				
Program services	13,753,462	—	13,753,462	14,023,553
Management and general (Note 10)	2,037,798	—	2,037,798	1,919,171
Fundraising:				
Special events	36,160	—	36,160	67,686
Development	607,935	—	607,935	478,776
Total Expenses	16,435,355	—	16,435,355	16,489,186
Increase (Decrease) In Net Assets	(314,423)	(107,365)	(421,788)	1,664,105
Net Assets - Beginning Of Year	50,509,767	681,071	51,190,838	49,526,733
Net Assets - End Of Year	\$ 50,195,344	\$ 573,706	\$ 50,769,050	\$ 51,190,838

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2024 (With Summarized Financial Information For The Year Ended December 31, 2023)

	2024				2023
	Program Services	Management And General	Fundraising And Development	Total	Total
Salaries And Related Expenses					
Lawyers	\$ 4,848,043	\$ 6,506	\$ —	\$ 4,854,549	\$ 4,652,251
Para-professionals	3,210,015	253	—	3,210,268	2,936,191
Other	252,289	1,027,148	425,432	1,704,869	1,155,831
Fringe benefits and payroll taxes	2,193,412	235,490	87,644	2,516,546	2,191,911
Volunteer staff	932,095	—	—	932,095	1,057,111
Total Salaries And Related Expenses	11,435,854	1,269,397	513,076	13,218,327	11,993,295
Other Expenses					
Contracted services	553,369	326,907	21,571	901,847	1,536,437
Judicare	41,021	—	—	41,021	48,707
Equipment rental and computer maintenance	26,154	2,771	170	29,095	29,546
Insurance	49,232	3,444	1,430	54,106	68,424
Library	73,489	266	15	73,770	64,381
Litigation	106,520	804	—	107,324	154,278
Interest	—	3,103	—	3,103	3,135
Occupancy	953,902	42,800	24,055	1,020,757	1,131,540
Office supplies and expense	160,394	33,366	27,908	221,668	464,400
Professional fees	—	90,500	—	90,500	71,000
Program travel	36,687	9,321	266	46,274	72,318
Telephone	39,181	2,497	1,898	43,576	45,696
Training	129,672	26,164	4,607	160,443	185,591
Depreciation and amortization	85,180	12,282	3,936	101,398	165,189
Other direct expenses	62,807	214,176	45,163	322,146	455,249
Total Other Expenses	2,317,608	768,401	131,019	3,217,028	4,495,891
Total Functional Expenses	\$ 13,753,462	\$ 2,037,798	\$ 644,095	\$ 16,435,355	\$ 16,489,186

LEGAL SERVICES OF EASTERN MISSOURI, INC.

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2024 (With Summarized Financial Information For The Year Ended December 31, 2023)

	2024	2023
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (421,788)	\$ 1,664,105
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	101,398	165,189
Gain on disposal of property	—	1,835,334
Net realized loss (gain) on investments	(1,554,793)	76,435
Net unrealized loss (gain) on investments	(1,040,623)	(1,682,853)
Changes in assets and liabilities:		
Grants receivable	587,248	(540,439)
Unconditional promises to give	53,919	13,343
Prepaid expenses	67,576	115,435
Miscellaneous receivable	50,000	(50,000)
Accounts payable	(205,438)	58,632
Accrued expenses and refundable advances	(94,255)	283,778
Operating leases	(4,332)	132,168
Client trust deposits	(7,313)	8,941
Net Cash Provided By (Used In) Operating Activities	(2,468,401)	2,080,068
Cash Flows From Investing Activities		
Proceeds from sale or maturity of investments	34,464,659	53,808,147
Purchases of investments	(39,052,265)	(47,089,577)
Payments for property, furniture and equipment	(24,940)	(467,022)
Net Cash Provided By (Used In) Investing Activities	(4,612,546)	6,251,548
Cash Flows Used In Financing Activities		
Payments on finance lease	(22,164)	(19,325)
Net Increase (Decrease) In Cash And Cash Equivalents	(7,103,111)	8,312,291
Cash And Cash Equivalents - Beginning Of Year	9,313,596	1,001,305
Cash And Cash Equivalents - End Of Year	\$ 2,210,485	\$ 9,313,596
Supplementary Cash Flow Information		
Interest paid	\$ 3,103	\$ 3,135
Inception of new financing lease	—	88,628

LEGAL SERVICES OF EASTERN MISSOURI, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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, 2023, 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, 2024, 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 \$6,534 as of December 31, 2024.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements *(Continued)*

Investments

The Corporation accounts for investments at fair value and at December 31, 2024 had investments of \$48,344,242 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, 2024.

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 \$0 as of December 31, 2024.

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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

Leases

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 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.

Donated Services

Donated services valued at \$932,095 for 2024 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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

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.

Credit Losses

Pursuant to Accounting Standards Codification (ASC) Topic 326, *Financial Instruments - Credit Losses*, the Corporation records an estimate of expected losses on financial assets for the remaining estimated life of an 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. No allowance was deemed necessary as of December 31, 2024.

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.

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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

3. Investments

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

Current assets - investments	\$ 48,277,756
Assets restricted for permanent endowment	<u>66,486</u>
	<u>\$ 48,344,242</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.

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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2024:

	Cost	Fair Value	Level 1	Level 2	Level 3
Mutual Funds:					
Emerging Markets	\$ 3,055,670	\$ 2,944,508	\$ 2,944,508	\$ —	\$ —
International Value	3,384,467	3,295,540	3,295,540	—	—
Exchange Traded Funds:					
BlackRock High Yield	1,519,466	2,619,353	2,619,353	—	—
Flexshares Trust	7,511,390	6,436,790	6,436,790	—	—
Ishares Trust	22,403,437	24,798,921	24,798,921	—	—
Vanguard	2,830,324	3,073,044	3,073,044	—	—
Common Stock	324,469	323,498	323,498	—	—
Bonds	3,685,606	3,686,794	3,686,794	—	—
Hedge Fund	1,000,000	1,053,193			1,053,193
Venture Capital	104,333	112,601			112,601
	\$ 45,819,162	\$ 48,344,242	\$ 47,178,448	\$ —	\$ 1,165,794

Investments Classified as Level 3

The hedge fund in which the Corporation invests is a feeder fund that in turn invests in other hedge funds. The hedge fund is valued based on the fair values of the funds in which the hedge fund invests. The venture capital funds are valued based on data received from the fund managers.

During 2024, the change in fair value of investments disclosed as Level 3 investments is as follows:

	Hedge Fund	Venture Capital
Beginning of year fair value	\$ —	\$ —
Purchases	1,000,000	106,808
Change in fair value	53,193	5,793
End of year fair value	\$ 1,053,193	\$ 112,601

For the year ended December 31, 2024, the Corporation earned unrealized gains totaling \$1,040,623.

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 2024 were as follows:

Government Grants and Foundation Grants

Legal Services Corporation:	
Basic grant	\$ 2,230,438
Private attorney involvement	447,161
Pro Bono Innovation Fund	9,077
Rural Stipend	7,000
	<hr/>
	2,693,676
Missouri Civil Legal Services Fund	1,092,097
Missouri Department of Social Services	548,688
Missouri Foundation for Health	539,109
Department of Housing and Urban Development	783,609
St. Louis City Mental Health Board	872,352
St. Louis County Children's Service Fund	89,562
St. Louis Economic Development Partnership	50,000
City of St. Louis	884,677
Missouri Lawyers Trust (IOLTA)	631,953
Connecting Kid to Coverage Outreach and Enrollment	270,933
Wells Fargo	102,743
National Health Law Program	87,064
James S. McDonnell Foundation	154,272
Housing Authority of St. Louis County	72,126
Justice for Families	52,431
Aging Ahead	128,004
Other government grants and foundation grants	347,396

\$ 9,400,692

Grants Receivable

Legal Services Corporation - Pro Bono Innovation Fund	\$ 72,840
St Louis Children's Foundation	45,588
Missouri Foundation for Health	54,158
Missouri Department of Social Services	86,561
Connecting Kids to Coverage Outreach and Enrollment	195,483
City of St. Louis	79,095
U.S Department of Justice	19,581
Affordable Housing Trust Fund	19,033
St. Louis City Mental Health Board	49,916
St Louis City Community Violence	32,648
St. Louis Port Authority	108,565
Duke University	31,422
Various Grants	47,197

\$ 842,087

Refundable Advances

James S McDonnell Foundation	\$ 38,535
Charless Foundation	15,000
Response Fund Utilities Advocacy	22,465
Bayer Foundation	25,000
Trio Foundation	15,000
St. Louis City Senior Fund	12,821
Center of Budget and Policy Priorities	3,395

\$ 132,216

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>
2025	\$ 515,040
Less: Allowance for uncollectibles	—
	<u>\$ 515,040</u>

At December 31, 2024, all promises to give are considered to have donor restrictions.

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:

Cash Flow Information:

Cash paid for operating leases included in operating activities	\$ 745,712
Cash paid for finance leases included in financing activities	22,164

Other Information:

Weighted-average remaining term - operating leases	3.62 years
Weighted-average remaining term - finance leases	3.70 years
Weighted-average discount rate - operating leases	3.95%
Weighted-average discount rate - finance leases	3.80%

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

Finance Lease Costs	Classification	
Amortization of ROU assets	<i>Depreciation and amortization</i>	\$ 21,807
Interest	<i>Interest</i>	<u>3,103</u>
		<u>\$ 24,910</u>
Operating Lease Costs		
Operating lease costs	<i>Variable Lease Costs & Rent expense</i>	<u>\$ 887,933</u>

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

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>
2025	\$ 759,243	\$ 22,252
2026	773,438	16,493
2027	789,966	16,493
2028	222,213	14,772
2029	32,000	4,353
Thereafter	90,667	—
Total minimum lease payments	2,667,527	74,363
Less: Amount of lease payments representing interest	171,636	5,139
Present value of future minimum lease payments	2,495,891	69,224
Less: Current portion	680,691	20,400
Long-term lease liabilities	\$ 1,815,200	\$ 48,824

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.

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, 2024, the Corporation had the following endowment funds:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 66,486	\$ 66,486
Board-designated endowment funds	33,571,577	—	33,571,577
Total Funds	\$ 33,571,577	\$ 66,486	\$ 33,638,063

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (Continued)

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, 2024	\$ 30,461,428	\$ 60,980	\$ 30,522,408
Investment return:			
Investment income and net realized and unrealized gains and losses	3,110,149	5,506	3,115,655
<u>Endowment assets, net of expense</u>	<u>\$ 33,571,577</u>	<u>\$ 66,486</u>	<u>\$ 33,638,063</u>

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.

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>525,096</u>
	<u>\$ 573,706</u>

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

Thompson Coburn	\$ 50,000
United Way	56,740
Pledge write-off	<u>625</u>
	<u>\$ 107,365</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 2024; therefore, no provision for income taxes has been made in the financial statements. The Corporation’s federal tax returns for tax years 2021 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 \$2,037,798 (12.7% of revenue, gains and other support) in 2024.

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 \$575,555 in 2024, 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, 2024, the Corporation has forgone \$1,100,465. Management estimates that the other three agencies will be fully compensated for the \$2,841,020 awarded in 2018 by the end of 2028.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements (*Continued*)

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, 2024.
- \$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 2024 which when added to previous amounts in the Cy Pres reserve brings the total reserve to \$1,500,000 at the end of 2024.

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.

LEGAL SERVICES OF EASTERN MISSOURI, INC.

Notes To Financial Statements *(Continued)*

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	\$ 52,007,043
Less:	
Client trust deposits	6,534
Prepaid expenses	102,114
Donor-restrictions for specific purposes	573,706
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>\$ 46,824,689</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, 2024, and our report thereon dated July 29, 2025, 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

July 29, 2025

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, 2024

(With Summarized Financial Information For The Year Ended December 31, 2023)

	Legal Services Corporation Fund	Private Attorney Involvement	Pro Bono Innovation Fund	Rural Stipend Fund	General Endowment	Other Funds	2024 Total	2023 Total
Public Support And Revenues								
Contributions:								
Public support	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 891,986	\$ 891,986	\$ 2,228,607
United Way support	—	—	—	—	—	534,643	534,643	594,594
Grants:								
Government grants	2,230,438	447,161	9,077	7,000	—	5,057,321	7,750,997	8,372,716
Foundation grants	—	—	—	—	—	1,649,695	1,649,695	1,243,243
Other revenues:								
Donated services	—	932,095	—	—	—	—	932,095	1,057,111
Special events	—	—	—	—	—	116,810	116,810	121,395
Program income	10,580	—	—	—	—	17,005	27,585	16,450
Investment income	153,382	—	—	—	—	3,951,101	4,104,483	3,416,624
Other income	—	—	—	—	—	5,273	5,273	—
Gain/(Loss) Fixed Asset Disposition	—	—	—	—	—	—	—	1,102,551
Total Public Support And Revenues	2,394,400	1,379,256	9,077	7,000	—	12,223,834	16,013,567	18,153,291
Expenses								
Program services	2,151,310	1,346,142	8,252	7,000	—	10,155,578	13,668,282	13,884,636
Supporting services - management and general	239,082	32,718	825	—	—	1,752,891	2,025,516	1,898,707
Fundraising and development	4,008	396	—	—	—	635,755	640,159	540,654
Depreciation	—	—	—	—	—	101,398	101,398	165,189
Total Expenses	2,394,400	1,379,256	9,077	7,000	—	12,645,622	16,435,355	16,489,186
Increase (Decrease) In Fund Balance	—	—	—	—	—	(421,788)	(421,788)	1,664,105
Fund Balance - Beginning Of Year	—	—	—	—	48,610	51,142,228	51,190,838	49,526,733
Fund Balance - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ 48,610	\$ 50,720,440	\$ 50,769,050	\$ 51,190,838

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, 2024

(With Summarized Financial Information For The Year Ended December 31, 2023)

	2024						2023	
	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grants:								
Government grants	2,230,438	447,161	9,077	7,000	2,693,676	—	2,693,676	\$ 2,917,045
Donated services	—	932,095	—	—	932,095	—	932,095	1,057,111
Program income:								
Attorneys' fees	10,580	—	—	—	10,580	—	10,580	—
Interest income	153,382	—	—	—	153,382	—	153,382	4,737
Total Support And Revenue	2,394,400	1,379,256	9,077	7,000	3,789,733	—	3,789,733	3,978,893
Expenses								
Salaries and related expenses:								
Lawyers	834,205	85,585	5,740	—	925,530	—	925,530	787,885
Para-professionals	641,618	198,503	—	—	840,121	—	840,121	858,312
Other	309,501	26,222	825	—	336,548	—	336,548	476,495
Employee benefits	447,828	65,992	2,800	7,000	523,620	—	523,620	534,706
Donated services	—	932,095	—	—	932,095	—	932,095	1,057,111
Total salaries and related expenses	2,233,152	1,308,397	9,365	7,000	3,557,914	—	3,557,914	3,714,509
Other expenses:								
Contracted services	18,875	1,313	—	—	20,188	—	20,188	4,145
Judicare	—	41,021	—	—	41,021	—	41,021	48,707
Equipment rental or lease	—	—	—	—	—	—	—	720
Computer maintenance	6,668	135	—	—	6,803	—	6,803	1,127
Insurance	3,904	1,053	—	—	4,957	—	4,957	16,164
Library	1,884	42	—	—	1,926	—	1,926	3,108
Litigation	7,213	(227)	—	—	6,986	—	6,986	15,834
Occupancy	59,492	14,492	(109)	—	73,875	—	73,875	7,746
Office supplies and expense	19,021	1,715	(9)	—	20,727	—	20,727	14,474
Professional fees	—	—	—	—	—	—	—	71,000
Program travel	4,549	128	(170)	—	4,507	—	4,507	9,038
Telephone	8,093	829	—	—	8,922	—	8,922	20,443
Training	29,598	9,751	—	—	39,349	—	39,349	34,919
Other direct expenses	1,951	607	—	—	2,558	—	2,558	16,959
Total other expenses	161,248	70,859	(288)	—	231,819	—	231,819	264,384
Total Expenses	2,394,400	1,379,256	9,077	7,000	3,789,733	—	3,789,733	3,978,893
Total Changes In Net Assets	—	—	—	—	—	—	—	—
Net Assets - Beginning Of Year	—	—	—	—	—	—	—	—
Net Assets - End Of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —