

**MASSACHUSETTS IOLTA COMMITTEE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

The Members  
Massachusetts IOLTA Committee  
Boston, Massachusetts

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Massachusetts IOLTA Committee, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts IOLTA Committee as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Massachusetts IOLTA Committee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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 Massachusetts IOLTA Committee's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Massachusetts IOLTA Committee'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 Massachusetts IOLTA Committee'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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Quincy, Massachusetts  
March 21, 2022

**MASSACHUSETTS IOLTA COMMITTEE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,775,926	\$ 1,304,010
Other Receivables	8,299	56,444
Total Current Assets	<u>2,784,225</u>	<u>1,360,454</u>
 Total Assets	 <u>\$ 2,784,225</u>	 <u>\$ 1,360,454</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Entities Payable	\$ 1,923,695	\$ 1,061,195
Other Payables	589,277	56,444
Total Current Liabilities	<u>2,512,972</u>	<u>1,117,639</u>
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 <u>271,253</u>	 <u>242,815</u>
 Total Liabilities and Net Assets	 <u>\$ 2,784,225</u>	 <u>\$ 1,360,454</u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS IOLTA COMMITTEE**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
IOLTA Receipts	\$ 7,151,521	\$ 9,725,752
Access to Justice Fee Revenue	1,360,185	1,273,968
Unclaimed Funds	806,442	-
Administrative Fee Income	743,367	678,830
Class Action Residual Awards	588,816	463,246
Out-of-State Registration Fees	317,286	247,452
Interest Income	5,016	13,272
Total Operating Revenue	<u>10,972,633</u>	<u>12,402,520</u>
<b>OPERATING EXPENSES</b>		
IOLTA Distributions	7,124,653	9,763,263
Access to Justice Fee Distributions	1,360,185	1,273,968
Unclaimed Funds Expense	806,442	-
Administrative Fee Expense	743,367	678,830
Class Action Residual Distributions	588,816	463,246
Out-of-State Registration Fees	317,286	247,452
Bank Fees	3,446	3,407
Total Operating Expenses	<u>10,944,195</u>	<u>12,430,166</u>
<b>CHANGE IN NET ASSETS</b>	28,438	(27,646)
Net Assets Without Donor Restrictions - Beginning of Year	<u>242,815</u>	<u>270,461</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u><u>\$ 271,253</u></u>	<u><u>\$ 242,815</u></u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS IOLTA COMMITTEE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 28,438	\$ (27,646)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Cash Resulting from a Change in:		
Other Receivables	48,145	409,959
Entities Payable	862,500	(297,880)
Other Payables	<u>532,833</u>	<u>46,397</u>
Net Cash Provided by Operating Activities	<u>1,471,916</u>	<u>130,830</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,304,010</u>	<u>1,173,180</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,775,926</u></u>	<u><u>\$ 1,304,010</u></u>

*See accompanying Notes to Financial Statements.*

**MASSACHUSETTS IOLTA COMMITTEE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES**

The Massachusetts IOLTA Committee (the Committee) was established, and members appointed, by the Massachusetts Supreme Judicial Court to provide for the operation of the comprehensive Interest on Lawyers Trust Accounts (IOLTA) program, as adopted by the order of the Supreme Judicial Court, dated September 26, 1989.

IOLTA income is the result of interest earned on pooled client fund accounts, which are used by attorneys to hold client funds that are either so nominal in amount, or expected to be held for such a short period of time, that it would not be practical to establish individual accounts. There are currently more than 200 banks and over 20,000 attorneys participating in this program, which helps to fund improvements in the administration of justice and delivery of legal services to low income clients.

Prior to January 1, 1993, interest earned on IOLTA accounts was paid by banks to one of three charities, as designated by the attorney. Effective January 1, 1993, the court amended its rule so that the Massachusetts IOLTA Committee was the initial recipient of all IOLTA funds throughout the state. The Committee then distributes all of the available funds to the three charitable entities based on percentages set up in the Court Rule and Order as follows:

Boston Bar Foundation	7%
Massachusetts Bar Foundation	26%
Massachusetts Legal Assistance Corporation	67%

IOLTA funds are used by each of the three entities to provide grants to providers of direct legal services for the poor and other not-for-profit organizations throughout the state. Each of the three entities is required by the court order to absorb the costs of the Committee in the same proportion by which they receive funds. Monthly, the entities are charged one-twelfth of the Committee's annual operating budget. At year-end, the fees are reconciled to the actual expenses and the difference between budgeted and actual expenses is either paid to or collected from the entities subsequent to year-end.

On June 9, 2010, the Supreme Judicial Court added an option to the Board of Bar Overseers registration fee called the Access to Justice Fee. This fee is \$51 and is to be used in the administration of justice and provision of civil legal services to those who cannot afford them. The Access to Justice Fee is voluntary. The receipts received by the Committee from the Access to Justice Fee payments are distributed in their entirety to the charitable entities described above.

As of September 4, 2012, Massachusetts requires that prior to filing a motion to have out-of-state counsel admitted pro hac vice in certain appellate courts, out-of-state counsel must pay a nonrefundable pro hac vice registration fee of \$301 per case. During 2018, the pro hac vice registration fee was increased to \$355. The pro hac vice registration fee remained at \$101 for district court cases. These fees are paid to the Board of Bar Overseers (the Board), and which on a quarterly basis are given to the Committee. The receipts received by the Committee from the pro hac vice fee payments are distributed in their entirety to the charitable entities described above.

**MASSACHUSETTS IOLTA COMMITTEE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES (CONTINUED)**

In Massachusetts, unclaimed funds from class action lawsuits are distributed to appropriate not-for-profit organizations. During 2009, the Supreme Judicial Court determined that legal services and IOLTA programs are appropriate recipients of class action residual awards. The receipts received by the Committee from the class action residual awards are distributed in their entirety to the charitable entities described above.

On October 1st, 2020, the Massachusetts Supreme Judicial Court updated the legal status of property previously treated as abandoned under G.L. 200A, s.3. In that Ruling the Court stated that unidentified IOLTA funds do not fall under the state's abandoned property statute and must be transferred to the IOLTA Committee for disposition. As a result of this ruling, during 2021 the Massachusetts Treasurer's Office transferred to the IOLTA Committee \$1,127,318. Additionally, the Massachusetts Board of Bar Overseers transferred to the IOLTA Committee \$260,102. Of these amounts as of December 31, \$806,442 was payable to the charitable entities described above and \$580,978 was held back as a reserve against potential future claims. The IOLTA Committee will adjust future amounts reserved based on its experience with actual claims. There were no claims made against the unidentified IOLTA funds described above during 2021.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies followed by the Committee in the preparation of the accompanying financial statements is set forth below.

**Basis of Financial Statements**

The financial statements of the Committee have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Committee are reported in the following net asset categories:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions represent available resources other than donor-restricted contributions.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Committee to expend the income earned thereon.

At December 31, 2021 and 2020, the Committee did not have net assets with donor restrictions.

**MASSACHUSETTS IOLTA COMMITTEE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

**Use of Estimates**

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

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Committee considers all highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

**Basis of Presentation**

Revenue from IOLTA receipts is recorded when received. All other income and expenses are recorded when incurred.

**Revenue Recognition**

The Committee recognizes revenue at a point in time when the funds are approved based on the Court Rule and Order.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been reported on a functional basis. All costs are directly applied to program and support services benefited. Program costs are the fees distributed to the three charitable entities on a monthly basis. General and administrative costs are administrative fees paid to the Massachusetts Legal Assistance Corporation (see Note 4).

**Income Taxes**

The Committee is not subject to federal income taxes because it is an integral part of the commonwealth of Massachusetts constituted under the Supreme Judicial Court. It does not require exemption under Section 501 of the Internal Revenue Code as an exempt organization.

**Subsequent Events**

The Committee has evaluated subsequent events through March 21, 2022, which is the date the financial statements were available to be issued.

**MASSACHUSETTS IOLTA COMMITTEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The Committee has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount was \$250,000, which was applied per depositor, per insured bank, for each account ownership category. As of December 31, 2021 and 2020, the Committee had balances of \$21,253 and \$804,010, respectively, in excess of FDIC limits. The Committee has not experienced any losses in such accounts or instruments. The Committee believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 4 RELATED PARTY**

A monthly administrative fee is paid to the Massachusetts Legal Assistance Corporation (MLAC) based on one-twelfth of the annual operating budget as approved by the Committee. MLAC provides services to the Committee including payroll, purchasing, rent and other accounting and administrative services. The budget is reconciled to actual expenses at year-end, and the difference between the budgeted and actual expenses is either paid to or received from MLAC subsequent to year-end. The administrative fee expenses totaled \$743,367 and \$678,830 for the years ended December 31, 2021 and 2020, respectively. The amount payable to MLAC was \$8,299 and \$56,444 as of December 31, 2021 and 2020, respectively.

Additionally, the nine-member committee appointed by the Supreme Judicial Court that oversees the Committee is composed of three members nominated by each of the three charitable entities that are beneficiaries: Boston Bar Foundation, Massachusetts Bar Foundation, and the Massachusetts Legal Assistance Corporation.

**NOTE 5 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Committee's financial assets available within one year of the financial statement position date for general expenditure are cash and cash equivalents of \$2,775,926 and \$1,304,010 for the years ended December 31, 2021 and 2020, respectively. The Committee receives cash in monthly installments and distributes these amounts the following month while keeping a small reserve.

The Committee maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due each month.

**MASSACHUSETTS IOLTA COMMITTEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6 FUNCTIONAL EXPENSES**

The functional expenses were as follows for the years ended December 31:

	2021		
	Program Services	General and Administrative	Total
IOLTA Distributions	\$ 7,124,653	\$ -	\$ 7,124,653
Access to Justice Fee Distributions	1,360,185	-	1,360,185
Unclaimed Funds	806,442	-	806,442
Administrative Fee Expense	-	743,367	743,367
Class Action Residual Distributions	588,816	-	588,816
Out-of-State Registration Fees	317,286	-	317,286
Bank Fees	-	3,446	3,446
Total Expenses	<u>\$ 10,197,382</u>	<u>\$ 746,813</u>	<u>\$ 10,944,195</u>

  

	2020		
	Program Services	General and Administrative	Total
IOLTA Distributions	\$ 9,763,263	\$ -	\$ 9,763,263
Access to Justice Fee Distributions	1,273,968	-	1,273,968
Administrative Fee Expense	-	678,830	678,830
Class Action Residual Distributions	463,246	-	463,246
Out-of-State Registration Fees	247,452	-	247,452
Bank Fees	-	3,407	3,407
Total Expenses	<u>\$ 11,747,929</u>	<u>\$ 682,237</u>	<u>\$ 12,430,166</u>