

MASSACHUSETTS IOLTA COMMITTEE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023



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**MASSACHUSETTS IOLTA COMMITTEE
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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, 2024 and 2023, 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, 2024 and 2023, 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

Quincy, Massachusetts
March 24, 2025

**MASSACHUSETTS IOLTA COMMITTEE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,250,431	\$ 3,499,970
Other Receivables	<u>20,918</u>	<u>568,744</u>
Total Current Assets	<u>4,271,349</u>	<u>4,068,714</u>
 Total Assets	 <u><u>\$ 4,271,349</u></u>	 <u><u>\$ 4,068,714</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Entities Payable	\$ 2,984,100	\$ 3,171,701
Other Payables	<u>1,015,553</u>	<u>625,476</u>
Total Liabilities	<u>3,999,653</u>	<u>3,797,177</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>271,696</u>	 <u>271,537</u>
 Total Liabilities and Net Assets	 <u><u>\$ 4,271,349</u></u>	 <u><u>\$ 4,068,714</u></u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS IOLTA COMMITTEE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUE		
IOLTA Receipts	\$ 34,053,890	\$ 31,003,440
Access to Justice Fee Revenue	1,188,513	1,266,412
Unclaimed Funds, Net	165,082	332,981
Administrative Fee Income	860,584	762,975
Class Action Residual Awards	1,238,983	272,083
Out-of-State Registration Fees	404,539	398,315
Interest Income	66,155	55,496
Total Operating Revenue	<u>37,977,746</u>	<u>34,091,702</u>
OPERATING EXPENSES		
IOLTA Distributions	34,111,641	31,052,167
Access to Justice Fee Distributions	1,188,513	1,266,412
Unclaimed Funds Expense	164,296	332,981
Administrative Fee Expense	860,584	762,975
Class Action Residual Distributions	1,238,983	272,083
Out-of-State Registration Fees	404,539	398,315
Bank Fees	9,031	6,632
Total Operating Expenses	<u>37,977,587</u>	<u>34,091,565</u>
CHANGE IN NET ASSETS	159	137
Net Assets Without Donor Restrictions - Beginning of Year	<u>271,537</u>	<u>271,400</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 271,696</u></u>	<u><u>\$ 271,537</u></u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS IOLTA COMMITTEE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 159	\$ 137
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Operating Assets:		
Other Receivables	547,826	(547,209)
Increase (Decrease) in Operating Liabilities:		
Entities Payable	(187,601)	1,200,788
Other Payables	390,077	22,963
Net Cash Provided by Operating Activities	<u>750,461</u>	<u>676,679</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,499,970</u>	<u>2,823,291</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,250,431</u></u>	<u><u>\$ 3,499,970</u></u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS IOLTA COMMITTEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 AND 2023**

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. The Committee has distributed some of these funds to the charitable entities described above and held back a portion for future claims. As of December 31, 2024 and 2023, \$994,635 and \$580,978, respectively, was held back as a reserve against potential future claims and is included in other liabilities on the statements of financial position. The Committee believes the current reserve level to be reasonable and will adjust future amounts reserved based on its experience with actual claims.

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.

**MASSACHUSETTS IOLTA COMMITTEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statements (Continued)

At December 31, 2024 and 2023, the Committee did not have net assets with donor restrictions.

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 24, 2025, which is the date the financial statements were available to be issued.

MASSACHUSETTS IOLTA COMMITTEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, the Committee had balances of \$21,660 and \$21,536, 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 \$860,584 and \$762,975 for the years ended December 31, 2024 and 2023, respectively. The amount payable to MLAC was \$20,918 and \$44,498 as of December 31, 2024 and 2023, 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 \$4,250,431 and \$3,499,970 and other receivables of \$20,918 and \$568,744 for the years ended December 31, 2024 and 2023, 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, 2024 AND 2023

NOTE 6 FUNCTIONAL EXPENSES

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

2024			
	Program Services	General and Administrative	Total
IOLTA Distributions	\$ 34,111,641	\$ -	\$ 34,111,641
Access to Justice Fee Distributions	1,188,513	-	1,188,513
Unclaimed Fund Expense	164,296	-	164,296
Administrative Fee Expense	-	860,584	860,584
Class Action Residual Distributions	1,238,983	-	1,238,983
Out-of-State Registration Fees	404,539	-	404,539
Bank Fees	-	9,031	9,031
Total Expenses by Function	<u>\$ 37,107,972</u>	<u>\$ 869,615</u>	<u>\$ 37,977,587</u>

2023			
	Program Services	General and Administrative	Total
IOLTA Distributions	\$ 31,052,167	\$ -	\$ 31,052,167
Access to Justice Fee Distributions	1,266,412	-	1,266,412
Unclaimed Fund Expense	332,981	-	332,981
Administrative Fee Expense	-	762,975	762,975
Class Action Residual Distributions	272,083	-	272,083
Out-of-State Registration Fees	398,315	-	398,315
Bank Fees	-	6,632	6,632
Total Expenses by Function	<u>\$ 33,321,958</u>	<u>\$ 769,607</u>	<u>\$ 34,091,565</u>

