

COMMUNITY LEGAL AID OF SOCAL
Financial Statements, Supplementary Schedules,
and
Single Audit Report on Schedule of Expenditures of
Federal Awards
January 31, 2020
LSC Recipient #805310

COMMUNITY LEGAL AID OF SOCAL
Financial Statements, Supplemental Schedules
and
Single Audit Report on Schedule of Expenditures of Federal Award Programs
January 31, 2020

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FINANCIAL STATEMENTS



An Independent CPA Firm

Board of Directors
Community Legal Aid of SoCal
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

We have audited the accompanying financial statements of Community Legal Aid of SoCal (a nonprofit organization), which comprise the statement of financial position as of January 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Managements' Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Legal Aid of SoCal as of January 31, 2020, 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.

Emphasis of Matters

As described further in note one to the financial statements, during the year ended January 31, 2020, Community Legal Aid of SoCal implemented Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities* (Topic 958) – *Contributions Received and Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Community Legal Aid of SoCal 's 2019 financial statements, and our report dated May 20, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year January 31, 2019, is consistent, in all material respects, the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *supplementary schedules*, as listed in the table of contents, are presented for purposes of additional analysis as required by *LSC Audit Guide for Recipients*, and the *schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020 on our consideration of Community Legal Aid of SoCal'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 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 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 Community Legal Aid of SoCal's internal control over financial reporting and compliance.

Gruber and Associates, Inc.

Gruber and Associates, Inc.
Newport Beach, CA
July 7, 2020

COMMUNITY LEGAL AID SOCAL
Statement of Financial Position

January 31, 2020

(with comparative totals as of January 31, 2019)

	2020	2019
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,224,622	1,223,888
Time deposits (Note 1e)	250,000	1,000,000
Client trust deposits	5,021	55,021
Contribution grants receivable (Note 2)	949,400	769,397
Other receivables	44,350	138,000
Prepaid expenses and other assets	70,906	55,057
Total current assets	3,544,299	3,241,363
Non-current assets (Note 4):		
Land, buildings, furniture and equipment, net	5,707,621	5,807,802
Law library, net	-	-
Total non-current assets, net	5,707,621	5,807,802
Total assets	\$ 9,251,920	9,049,165
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 105,180	305,891
Client trust liability	5,021	55,000
Current portion of mortgage notes payable (Note 6)	147,811	141,250
Accrued vacation (Note 1n)	276,376	298,027
Advance funding (Note 1k):		
Legal Services Corporation - basic grant	-	330,669
Legal Services Corporation - TIG grant	-	50,673
Other participating agencies	938	442,960
Total current liabilities	535,326	1,624,470
Long-term liabilities:		
Mortgage notes payable (Note 6)	2,934,185	3,081,985
Total long-term liabilities	2,934,185	3,081,985
Total liabilities	3,469,511	4,706,455
Net assets:		
Without donor restrictions:		
Designated for reserve	250,000	250,000
Undesignated	4,410,612	3,344,193
Total without donor restrictions	4,660,612	3,594,193
With donor restrictions (Note 9):		
Legal Services Corporation	760,451	765,490
Other	361,346	(16,973)
Total with donor restrictions	1,121,797	748,517
Total net assets	5,782,409	4,342,710
Total liabilities and net assets	\$ 9,251,920	9,049,165

See accompanying notes to financial statements

COMMUNITY LEGAL AID SOCIAL
Statement of Activities
Year Ended January 31, 2020
(with comparative totals for the year ended January 31, 2019)

Operating Activities:	Without	With Donor Restrictions			Totals		
	Donor	State Bar			2020	2019	
	Restrictions	LSC	IOLTA	Equal Access			Subtotal
Support and revenue:							
Contributions- Grants (Note 2)	\$ 4,360,078	4,393,139	1,054,140	925,186	6,372,465	10,732,543	8,350,215
Contributions-Technology grants- LSC TIG (Note 2)	-	68,498	-	-	68,498	68,498	57,325
Contributions-Pro bono grant - LSC (Note 2)	-	180,542	-	-	180,542	180,542	60,181
Contributions-Leadership grant	-	8,538	-	-	8,538	8,538	2,938
Investment income	13,641	12,913	-	-	12,913	26,554	17,469
Donated services (Note 11)	337,862	322,443	-	-	322,443	660,305	676,831
Contributions- other	61,380	-	-	-	-	61,380	159,518
Special event , net - SELA, (gross income \$46,354 less direct expense \$23,279)	23,075	-	-	-	-	23,075	(28,273)
Rental income	7,200	-	-	-	-	7,200	13,585
Derivative income	-	-	-	-	-	-	15,911
Gain (loss) on sale of assets	-	-	-	-	-	-	(1,796)
Referral fees and miscellaneous income	365,936	-	-	-	-	365,936	318,169
Subtotal support and revenues	5,169,172	4,986,073	1,054,140	925,186	6,965,399	12,134,571	9,642,073
Net assets released from restrictions (Note 9)	6,592,119	(4,991,112)	(792,810)	(808,197)	(6,592,119)	-	-
Total support and revenue	11,761,291	(5,039)	261,330	116,989	373,280	12,134,571	9,642,073
Expenses:							
Program services	8,683,655	-	-	-	-	8,683,655	7,470,987
Supporting services:							
Management and general	1,967,126	-	-	-	-	1,967,126	1,716,432
Fundraising	44,091	-	-	-	-	44,091	-
Total expenses	10,694,872	-	-	-	-	10,694,872	9,187,419
Increase (decrease) in net assets	1,066,419	(5,039)	261,330	116,989	373,280	1,439,699	454,654
Net assets beginning of year	3,594,193	765,490	5,634	(22,607)	748,517	4,342,710	3,888,056
Net assets at end of year	\$ 4,660,612	760,451	266,964	94,382	1,121,797	5,782,409	4,342,710

See accompanying notes to financial statements

COMMUNITY LEGAL AID SOCIAL
Statement of Functional Expenses
Year Ended January 31, 2020
(with comparative totals for the year ended January 31, 2019)

	Program Services	Supporting Services			Totals	
		Management & General	Fundraising	Subtotal	2020	2019
Personnel expenses:						
Lawyers	\$ 2,554,848	165,577	-	165,577	2,720,425	2,195,835
Paralegals	1,670,682	-	-	-	1,670,682	1,386,737
Other nonlawyers	441,743	1,026,021	35,289	1,061,310	1,503,053	1,255,183
Donated services (Note 1l)	660,305	-	-	-	660,305	676,831
Fringe benefits	1,238,604	321,731	8,802	330,533	1,569,137	1,399,957
Office rent and maintenance (Note 8)	144,428	37,471	-	37,471	181,899	168,997
Equipment rental (Note 8)	4,103	1,064	-	1,064	5,167	6,517
Office supplies and maintenance	206,234	53,506	-	53,506	259,740	247,929
Telephone	156,979	40,727	-	40,727	197,706	190,854
Program travel	29,383	7,623	-	7,623	37,006	28,038
Conference travel	77,197	20,028	-	20,028	97,225	67,815
Library	76,464	-	-	-	76,464	73,231
Insurance	63,485	16,471	-	16,471	79,956	75,463
Auditing and accounting	22,110	5,736	-	5,736	27,846	27,300
Dues and fees	47,026	12,201	-	12,201	59,227	64,322
Litigation	17,130	-	-	-	17,130	17,875
Technology grant - LSC TIG National	67,456	-	-	-	67,456	57,325
Pro bono grant - LSC	192,026	-	-	-	192,026	33,594
Support to Public Law Center (Notes 3 and 5)	15,290	-	-	-	15,290	13,470
Private attorney involvement (Note 5)	372,794	96,720	-	96,720	469,514	526,786
Interest	121,235	31,454	-	31,454	152,689	164,374
Special event - venue and other	-	-	23,279	23,279	23,279	170,873
Other (Note 11)	347,659	90,199	-	90,199	437,858	363,559
Total expenses before depreciation	<u>8,527,181</u>	<u>1,926,529</u>	<u>67,370</u>	<u>1,993,899</u>	<u>10,521,080</u>	<u>9,212,865</u>
Depreciation (Note 4)	<u>156,474</u>	<u>40,597</u>	<u>-</u>	<u>40,597</u>	<u>197,071</u>	<u>145,427</u>
Total expenses	<u>\$ 8,683,655</u>	<u>1,967,126</u>	<u>67,370</u>	<u>2,034,496</u>	<u>10,718,151</u>	<u>9,358,292</u>
Less expenses included in statement of activities	<u>-</u>	<u>-</u>	<u>(23,279)</u>	<u>(23,279)</u>	<u>(23,279)</u>	<u>(170,873)</u>
Total expenses per statement of activities	<u>\$ 8,683,655</u>	<u>1,967,126</u>	<u>44,091</u>	<u>2,011,217</u>	<u>10,694,872</u>	<u>9,187,419</u>

See accompanying notes to financial statements.

COMMUNITY LEGAL AID SOCIAL

Statement of Cash Flows

Year Ended January 31, 2020

(with comparative totals for the year ended January 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,439,699	454,654
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	197,071	145,427
(Gain) Loss on sale of assets	-	(1,796)
Decrease (increase) in grants receivable	(180,003)	(222,024)
Decrease (increase) in other receivable	93,650	(64,553)
Decrease (increase) in prepaid expenses and other assets	(15,849)	3,131
Decrease (increase) in client trust deposits	50,000	(55,000)
(Decrease) increase in accounts payable and accrued liabilities	(200,711)	52,716
(Decrease) increase in accrued vacation	(21,651)	40,202
(Decrease) increase in client trust deposits	(49,979)	54,979
(Decrease) increase in advance funding - Legal Services Corporation	(330,669)	8,099
(Decrease) increase in advance funding - LSC TIG	(50,673)	16,538
(Decrease) increase in advance funding - Other participating agencies	<u>(442,022)</u>	<u>254,221</u>
Net cash provided by (used for) operating activities	<u>488,863</u>	<u>686,594</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment and law library	(96,890)	(279,095)
Sale of time deposits	<u>750,000</u>	<u>37,000</u>
Net cash provided by (used for) investing activities	<u>653,110</u>	<u>(242,095)</u>
Cash flows from financing activities:		
Principal payments on mortgage notes payable	<u>(141,239)</u>	<u>(134,583)</u>
Net cash provided by (used for) financing activities	<u>(141,239)</u>	<u>(134,583)</u>
Increase (decrease) in cash and cash equivalents	1,000,734	309,916
Cash and cash equivalents at beginning of year	<u>1,223,888</u>	<u>913,972</u>
Cash and cash equivalents at end of year	<u>\$ 2,224,622</u>	<u>1,223,888</u>

Supplemental disclosures of noncash investing and capital related financing activities:

There were no noncash investing or capital related financing activities for the year ended January 31, 2020.

Supplemental disclosure of cash flow information:

Cash paid for interest expense	<u>\$ 152,689</u>	<u>164,374</u>
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See accompanying notes to financial statements.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

January 31, 2020

(1) Summary of Significant Accounting Policies

The significant accounting policies of the Community Legal Aid of SoCal (CLASC) are presented to assist in the understanding of CLASC's financial statements. The financial statements and notes are representations of CLASC's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

(a) Organization and Sources of Revenues

Founded in 1958, CLASC is a 501(c)(3) non-profit organization whose mission is to provide free civil legal services to low-income individuals and seniors and to promote equal access to the justice system through advocacy, legal counseling, innovative self-help services, in-depth legal representation, and community education. In 1984, CLASC was awarded the Legal Services Corporation contract to provide legal services in Southeast Los Angeles County. CLASC's client community consists of individuals whose incomes fall below 125% to 200% of the federal poverty threshold and those over the age of 60. CLASC's programs and services are provided throughout Orange County and Southeast Los Angeles County and are aimed at 1) providing support for the family; 2) preserving the home; 3) maintaining economic stability; 4) ensuring safety, stability and health; 5) assisting populations with special vulnerabilities; 6) continuing the delivery of legal services (including direct representation); and 7) giving advice, counsel and referrals. CLASC also provides assistance in the areas of housing and landlord/tenant Issues, government benefits, issues related to children with special education needs, consumer problems, foreclosure, and bankruptcy.

CLASC receives funding from various sources, primarily: (1) the federal Legal Services Corporation (LSC) which requires services, including general legal assistance, to be provided to the indigent, (2) the Senior Advocacy Program (Seniors) is funded by the County of Orange which requires general legal assistance to be provided to economically or socially disadvantaged senior citizens, and (3) the State Bar of California (State Bar) which permits general legal assistance to the indigent, socially disadvantaged and senior citizens.

(b) Basis of Accounting and Revenue Recognition

CLASC uses the accrual basis of accounting. Under this method of accounting, revenues are recognized when performance obligations have been satisfied and expenses are recognized when incurred.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(c) Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-14 Not for Profit Entities [Topic 958]- Presentation of Financial Statements of Not-For Profit Entities*, CLASC is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CLASC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CLASC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, CLASC considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits and money market funds held with several different financial institutions that at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

(e) Time Deposit

As of January 31, 2020, the Company owned a certificate of deposit totaling \$250,000. The time certificate matures on April 20, 2020, at rates of interest ranging 1.85 percent per annum. Because the term of the certificate is greater than three months, it is not included by the Company as a cash equivalent for purposes of the statement of cash flows.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(f) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Under provision of the LSC Investment Policy Guidelines adopted by the Board of Directors, authorized investments include: (1) U.S. treasury notes and bills; (2) Insured certificates of deposit; and (3) Repurchase agreements and money market funds that invest in other U.S. government securities.

(g) Land, Buildings, Furniture and Equipment, and Law Library

It is CLASC's policy to capitalize long-lived assets over \$5,000. Lesser amounts are expensed. Land, buildings, furniture and equipment, and law library are capitalized at cost. Buildings, furniture and equipment are depreciated on the straight-line method, using estimated useful lives of forty years for the buildings, three to ten years for the furniture and equipment, and three to five years on the law library software and books. Property and equipment acquired with grant or contract funds are considered to be owned by CLASC; however, the grantors retain certain interest in the equipment with respect to the use or disposition of such assets.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

(h) Impairment of Long-Lived Assets

CLASC evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(i) Fair Value of Financial Instruments

CLASC follows guidance issued by the ASC 820 *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

CLASC's financial instruments, including cash and cash equivalents, grants receivable, other receivables, and accounts payable and accrued liabilities are carried at cost, which approximates fair value because of the short-term nature of these instruments.

(j) Contribution Revenue and Support

In accordance with ASC 958, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(k) Advances from Funding Sources

Cash advances from third parties for services not yet performed or conditions not yet met are included as a liability.

(l) Donated Services

Donated services of \$660,305 for the year ended January 31, 2020 have been recorded as both revenues and program expenses and represent the approximate fair value of legal services and research, and other specialized skills provided by individuals possessing these skills, and would typically need to be purchased if not provided.

(m) Functional Expense Allocations

Costs of providing CLASC's programs and other activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel expenses	Time and effort
Rent – office and equipment	Time and effort
Utilities and telephone	Time and effort
Office supplies and maintenance	Time and effort
Accounting and audit	Time and effort
Transportation and travel	Time and effort
Insurance	Time and effort
Travel	Time and effort
Dues and fees	Time and effort
Interest	Time and effort
Other	Time and effort
Depreciation	Time and effort

(n) Accrued Vacation

CLASC's policy is to record accumulated vacation when earned. As of January 31, 2020, the accrued vacation liability was \$276,376.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(o) Income Taxes of CLASC

CLASC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. CLASC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(q) Referral Fees and Miscellaneous Income

Referral fees and miscellaneous income primarily consists of attorney referral fees and membership dues.

(r) Comparative Totals

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CLASC's financial statements for the year ended January 31, 2019 from which the summarized information was derived.

(s) Reclassifications

For comparability purposes, certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 classifications. These reclassifications have no effect on reported change in net assets.

(t) Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CLASC's ongoing program services and interest and deposits. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. CLASC had no nonoperating activities for the year ended January 31, 2020.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(u) New Accounting Pronouncement

In 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Contributions Received and Made*. The update clarifies and improves the scope and accounting guidance for contributions received and made. CLASC has adopted ASU 2018-08 in fiscal year January 31, 2020 and has adjusted the presentation of these statements accordingly in order to more consistently record revenue recognition from resource providers. In previous years, CLASC classified the majority of its grant revenue received from government agencies as exchange transactions, however, under the new guidance of ASU 2018-08 have reclassified the majority of its grant revenue received from government agencies as contributions with conditions for the year ended January 31, 2020. CLASC has also elected to use the modified prospective basis in adopting the change, hence, no prior period adjustments were necessary.

(2) Summary of Grant Funding

A summary of CLASC's grant revenues for the year ended January 31, 2020 are summarized as follows:

LSC - Basic Grant	\$4,393,139
County of Los Angeles - CalWORKS	559,622
Health Consumer Alliance	505,128
State Bar - Equal Access and EA Partnership	925,186
State Bar - IOLTA	1,054,140
Title IIIB Office on Aging - Senior Advocacy	363,663
SB Community Development and Foreclosure	936,614
CAL OES and Rainbow	706,347
Neighborhood Legal Service - Self Help Center	159,471
Small Claims Court Orange County	130,094
LAV Human Options	119,687
IRS Low Income - Tax Payer Clinic	56,059
Others*	823,393
Total	<u>\$10,732,543</u>

*CLASC received various other cost-reimbursement grants totaling \$823,393 during the year ended January 31, 2020 from the Cities of Irvine, Compton, Santa Ana, and Norwalk, and various other grantors, all of which were recognized.

In addition to the grant revenues recognized above, CLASC also received technology, pro bono, and leadership grants from LSC in the amounts of \$68,498, \$180,542, and \$8,538, respectively, for the year ended January 31, 2020.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(2) Summary of Grant Funding (Continued)

Grants receivable from the various granting agencies as of January 31, 2020 was \$949,400, the majority of which was collected subsequent to January 31, 2020.

(3) Contracts

CLASC entered into a contract with the Public Law Center (PLC) which provided annual funds to PLC in the amount of \$15,290 (which related to private attorney involvement) for fiscal year ended January 31, 2020. CLASC also entered into a contract with Community Lawyers, Inc. (CLI) in the amount of \$10,000 during the fiscal year.

(4) Land, Buildings, Furniture and Equipment and Law Library

Land, buildings, furniture and equipment and law library consisted of the following at January 31, 2020:

Land	\$3,127,281
Leasehold improvements	2,185,016
Building	1,521,142
Furniture and equipment	1,978,093
Software (I-CAN)	1,498,893
Accumulated depreciation	<u>(4,602,804)</u>
	<u>\$5,707,621</u>
Law Library	\$ 323,795
Accumulated depreciation	<u>(323,795)</u>
	<u>\$ -</u>

Total depreciation expenses for the year ended January 31, 2020 was \$197,071.

Improvements, furniture and equipment and law library purchased with LSC funds consisted of the following at January 31, 2020:

	<u>LSC</u>
Leasehold improvements	\$ 106,859
Furniture and equipment	1,399,410
Accumulated depreciation	<u>(1,340,669)</u>
	<u>\$165,600</u>
Law Library	\$ 279,042
Accumulated depreciation	<u>(279,042)</u>
	<u>\$ -</u>

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(5) Private Attorney Involvement and LSC Fund Net Assets

LSC requires that an amount equal to 12.5% of its current grant be utilized for Private Attorney Involvement (PAI). To meet this requirement, CLASC is involved in a private attorney program in Orange County and southeast Los Angeles in addition to its contracts with PLC, JIE, and CLI (see Note 3). CLASC's private attorney involvement requirement and the related expenses during the year ended January 31, 2020 are summarized as follows:

LSC basic grant revenue recognized	\$4,393,139
	<u>x12.5%</u>
LSC PAI requirement	<u>549,142</u>
LSC PAI expenses:	
Personnel salaries (lawyers, paralegals, clerical)	241,198
Payroll taxes and employee benefits	57,618
Private attorney contracts, bankruptcy, insurance	41,862
Other PAI Activities	<u>31,865</u>
	<u>372,543</u>
Non-LSC fund PAI expenses:*	
Personnel salaries (lawyers, paralegals, clerical)	118,794
Public Law Center	15,290
Other PAI contracts	<u>48,791</u>
	<u>182,875</u>
Total PAI expenses	<u>555,418</u>
Net funds expended in (excess) of requirement	<u>\$ (6,276)</u>

During the year ended January 31, 2020, PAI net expenses amounted to \$6,276 in excess of the 12.5% PAI requirement, hence, the requirement was met.

LSC also requires that it be advised of any net asset (i.e. fund balance) amount in excess of 10% of support in accordance with 45 CFR 1628.2a. In the LSC fund, LSC net assets exceeded the 10% of support requirement by 0.17% and 1.17% (or \$7,324 and \$48,809) for the years ended January 31, 2020 and 2019, respectively. The excess funds in fiscal year 2019 were carried over to fiscal year 2020 which was authorized by LSC and which were spent prior to the 2020 basic grant.

*CLASC contracted with PLC and CLI as noted above (see Note 3). These contracts were eligible to be included in CLASC's PAI calculation.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(6) Mortgage Notes Payable

During fiscal year 2015, CLASC entered into a mortgage note payable in the amount of \$607,500 with a financial institution for the acquisition of certain real property, as well as, refinanced its three other mortgage notes with the same financial institution. As of January 31, 2020, the total mortgage notes payable for the four notes was \$3,223,235. The notes are all collateralized by first trust deeds on the four respective buildings in Compton, Norwalk, Santa Ana #1 and Santa Ana #2. Each note has a 20 year term and a fixed interest rate ranging from 4.660% to 5.010%. The notes are payable in monthly installments of principal and interest, ranging from \$2,540 to \$14,159 with all notes expiring in 2034.

The schedule principal payments on mortgage notes payable are as follows:

	<u>Compton</u>	<u>Norwalk</u>	<u>Santa Ana#1</u>	<u>Santa Ana#2</u>	<u>Totals</u>
<u>Year ending January 31:</u>					
2021	\$22,312	15,443	86,087	23,969	147,811
2022	23,538	16,231	90,485	25,286	155,540
2023	24,762	17,015	94,854	26,601	163,232
2024	26,049	17,837	99,435	27,984	171,305
2025	27,352	18,664	104,043	29,383	179,442
Thereafter	<u>333,535</u>	<u>239,227</u>	<u>1,333,596</u>	<u>358,308</u>	<u>2,264,666</u>
Totals	<u>\$ 457,548</u>	<u>324,417</u>	<u>1,808,500</u>	<u>491,531</u>	<u>3,081,996</u>
Less current portion	<u>(22,312)</u>	<u>(15,443)</u>	<u>(86,087)</u>	<u>(23,969)</u>	<u>(147,811)</u>
Long-term portion	<u>\$ 435,236</u>	<u>308,974</u>	<u>1,722,413</u>	<u>467,562</u>	<u>2,934,185</u>

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(7) Line of Credit

CLASC had a bank line of credit that provided for maximum borrowings of \$250,000, secured by a second lien on real property (Santa Ana #1), at an interest rate equal to the prime index rate (4.75% as of January 31, 2020) plus a 0.0% margin or the floor rate of 4%, whichever is greater. The line was renewed on November 30, 2018 and expires December 10, 2021. There was no balance outstanding as of January 31, 2020.

(8) Lease Obligations, and Office Rent and Maintenance

Operating Leases:

CLASC rents certain equipment on a month to month basis. For the year ended January 31, 2020, rent expense for the equipment was \$5,167.

Office rent and maintenance expense of \$181,899 for the year ended January 31, 2020 included storage and facility costs, parking, and other office maintenance and repair costs and are month to month.

(9) Net Assets with Donor Restrictions

Net Assets with Donor Restrictions as of January 31, 2020 consisted of the following:

Restricted for:	
LSC	\$ 760,451
Other granting agencies	<u>361,346</u>
Total net assets with donor restrictions	<u>\$1,121,797</u>

During the year ended January 31, 2020, \$6,592,119 of net assets with donor restrictions were released to unrestricted net assets as a result of the satisfaction of grantor imposed restrictions.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(10) Retirement Plan

CLASC has a defined contribution 401(k) profit sharing plan covering all eligible employees who have met the eligibility requirement (completed six months of service and are 18 years or older). Once eligible, participants may begin deferring a portion of their compensation on February 1 or August 1. Employees can contribute up to \$19,500 and \$19,000 of pre-tax compensation for calendar years 2020 and 2019, respectively, and their contributions are 100% vested. Participants ages 50 or older may elect to defer additional amounts (called “catch-up” contributions). The maximum “catch-up” contribution that can be made is \$6,500 and \$6,000 for calendar years 2020 and 2019, respectively.

The Retirement Plan is referred to as a “Safe Harbor 401(k) Plan.” Employer contributions are fully vested and are referred to as Non-elective Contributions subject to certain Internal Revenue Service limitations. Eligible employees receive an annual Safe Harbor Contribution equal to 3% of their compensation. CLASC may also make a discretionary profit sharing contribution. During the year ended January 31, 2020, the Board of Directors approved a discretionary contribution of 1.5%. CLASC contributions are made monthly. Total employer contributions were \$226,816 for the year ended January 31, 2020.

(11) Other Expenses

Included in other expenses for the year ended January 31, 2020 are the following amounts:

	<u>LSC Basic Grant</u>	<u>Other Funds</u>	<u>Totals</u>
Professional contract services	\$107,036	84,500	191,536
Advertising/ marketing outreach	34,618	11,379	45,997
Miscellaneous	-	42,680	42,680
Repairs and maintenance	-	3,830	3,830
Publications and subscriptions	11,165	5,605	16,770
Sundry and related items	23,659	8,653	32,312
Taxes and license	84	6,627	6,711
Software license and consultation	34,821	6,066	40,887
Equipment rent and maintenance	-	2,496	2,496
Computer / telephone	12,426	551	12,977
Bank fees/ payroll processing	<u>30,264</u>	<u>11,398</u>	<u>41,662</u>
Totals	<u>\$254,073</u>	<u>183,785</u>	<u>437,858</u>

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(12) Grant Funding Concentrations and Uncertainties

CLASC has received significant funding from LSC. LSC funding represented approximately 41% of CLASC's total support and revenues (less donated services) for the year ended January 31, 2020. Due to potential reductions in federal funding to LSC, future funding to CLASC may be reduced. Although management is reviewing alternatives for continuing operations, if grants are reduced, any reduction may impact the future operations of CLASC. CLASC received a grant contract from LSC for funding through December 31, 2020 in the amount of \$4,249,790. Additionally, it is the intent of CLASC to bid for LSC funding through December 31, 2021. Actual funding amounts are dependent upon amounts allocated by the United States Congress to LSC. No amounts have been recorded as pledges receivable for any amount of grant awards from LSC.

CLASC also receives multi-year grant funding from various sources which are recorded in the period pledged. However, expenditures related to those grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

(13) Commitments and Other Contingencies

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against CLASC for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

CLASC is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect the CLASC's financial statements.

(14) Compliance with Laws and Regulations

By accepting subrecipient funds from LSC and other federal grants, CLASC is required to comply with certain laws and regulations provided for in the *Code of Federal Regulations (45 CFR Part 1600) – Legal Services Corporation Act* established by the United States Congress and 2 CFR 200, respectively. Management believes that it has complied with such laws and regulations.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Financial Statements

(Continued)

(15) Availability and Liquidity

The following represents CLASC's financial assets at January 31, 2020:

Financial assets at year end:

Cash and cash equivalents	\$2,224,622
Time deposits	250,000
Contributions receivable	949,400
Other receivables	44,350
Prepaid assets	<u>70,906</u>
Total financial assets	<u>3,539,278</u>

Less amounts not available
to be used within 1 year:

Net assets with donor restrictions	404,848
Less net assets with purpose restrictions to be met within one year	<u>(404,848)</u>
Subtotal	<u>-</u>

Financial assets available to meet
general expenses over the next
12 months: \$3,539,278

CLASC's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2.7M). As part of its liquidity plan, CLASC only maintains liquid and time deposits in order to meet cash flow needs.

(16) Subsequent Events

Management has evaluated subsequent events through July 7, 2020, the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

COMMUNITY LEGAL AID SOCAL
Combining Schedule of Financial Position
January 31, 2020
(with comparative totals as of January 31, 2019)

	Legal Services Corporation	Senior Advocacy Program	State Bar of California IOLTA	Equal Access
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 636,056	-	306,971	99,072
Time deposits	-	-	-	-
Client trust deposits	21	-	-	-
Contribution grants receivable	107,418	57,610	-	12,649
Other receivables	42,900	-	-	-
Interfund receivable	-	-	-	-
Prepaid expenses and other assets	<u>61,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>847,969</u>	<u>57,610</u>	<u>306,971</u>	<u>111,721</u>
Non-current assets:				
Land, buildings, furniture and equipment, net	165,600	-	-	-
Law library, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>165,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,013,569</u>	<u>57,610</u>	<u>306,971</u>	<u>111,721</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 71,529	1,208	5,106	4,183
Client trust liability	21	-	-	-
Interfund payable	-	37,948	-	-
Current portion of mortgage notes payable	-	-	-	-
Accrued vacation	181,568	13,432	34,901	13,156
Advance funding:				
LSC - Basic grant	-	-	-	-
LSC - TIG and Pro Bono grant	-	-	-	-
Other participating granting agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>253,118</u>	<u>52,588</u>	<u>40,007</u>	<u>17,339</u>
Long-term liabilities:				
Mortgage notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>253,118</u>	<u>52,588</u>	<u>40,007</u>	<u>17,339</u>
Net assets:				
Without donor restrictions:				
Designated for reserve	-	-	-	-
Undesignated	-	5,022	-	-
With donor restrictions (Note 9):	<u>760,451</u>	<u>-</u>	<u>266,964</u>	<u>94,382</u>
Total net assets	<u>760,451</u>	<u>5,022</u>	<u>266,964</u>	<u>94,382</u>
Total liabilities and net assets	<u>\$ 1,013,569</u>	<u>57,610</u>	<u>306,971</u>	<u>111,721</u>

(continued)

(continued)

	Legal Aid Society			Totals	
	Other Grants	Building	Eliminations	2020	2019
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 1,182,523	-	-	2,224,622	1,223,888
Time deposits	250,000	-	-	250,000	1,000,000
Client trust deposits	5,000	-	-	5,021	55,021
Contribution grants receivable	771,723	-	-	949,400	769,397
Other receivables	-	1,450	-	44,350	138,000
Interfund receivable	50,820	-	(50,820)	-	-
Prepaid expenses and other assets	2,851	6,481	-	70,906	55,057
Total current assets	2,262,917	7,931	(50,820)	3,544,299	3,241,363
Non-current assets:					
Land, buildings, furniture and equipment, net	18,606	5,523,415	-	5,707,621	5,807,802
Law library, net	-	-	-	-	-
Total non-current assets	18,606	5,523,415	-	5,707,621	5,807,802
Total assets	\$ 2,281,523	5,531,346	(50,820)	9,251,920	9,049,165
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 16,969	6,185	-	105,180	305,891
Client trust liability	5,000	-	-	5,021	55,000
Interfund payable	-	12,872	(50,820)	-	-
Current portion of mortgage notes payable	-	147,811	-	147,811	141,250
Accrued vacation	33,319	-	-	276,376	298,027
Advance funding:					
LSC - Basic grant	-	-	-	-	330,669
LSC - TIG and Pro Bono grant	-	-	-	-	50,673
Other participating granting agencies	938	-	-	938	442,960
Total current liabilities	56,226	166,868	(50,820)	535,326	1,624,470
Long-term liabilities:					
Mortgage notes payable	-	2,934,185	-	2,934,185	3,081,985
Total long-term liabilities	-	2,934,185	-	2,934,185	3,081,985
Total liabilities	56,226	3,101,053	(50,820)	3,469,511	4,706,455
Net assets:					
Without donor restrictions:					
Designated for reserve	250,000	-	-	250,000	250,000
Undesignated	1,975,297	2,430,293	-	4,410,612	3,344,193
With donor restrictions (Note 9):	-	-	-	1,121,797	748,517
Total net assets	2,225,297	2,430,293	-	5,782,409	4,342,710
Total liabilities and net assets	\$ 2,281,523	5,531,346	(50,820)	9,251,920	9,049,165

COMMUNITY LEGAL AID SOCIAL
Combining Schedule of Support, Revenues, Expenses, and Changes in Net Assets
Year Ended January 31, 2020
(with comparative totals for the year ended January 31, 2019)

	Legal	Senior	State Bar of California	
	Services Corporation	Advocacy Program	IOLTA	Equal Access
Support and revenue:				
Contributions-Grants	\$ 4,393,139	363,663	1,054,140	925,186
Contributions-Technology grants- LSC TIG	68,498	-	-	-
Contributions-Pro bono grant - LSC	180,542	-	-	-
Contributions-Leadership grant	8,538	-	-	-
Investment income	12,913	-	-	-
Donated services	322,443	36,317	-	-
Contributions- other	-	-	-	-
Special event income -SELA	-	-	-	-
Rental income	-	-	-	-
Derivative income	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
Referral fees and miscellaneous income	-	-	-	-
Total support and revenue	<u>4,986,073</u>	<u>399,980</u>	<u>1,054,140</u>	<u>925,186</u>
Personnel expenses:				
Lawyers	695,874	177,918	310,541	290,960
Paralegals	601,948	43,026	132,899	235,835
Other nonlawyers	835,702	48,847	90,626	63,589
Donated services	322,443	36,317	-	-
Payroll taxes and employee benefits	722,038	63,732	128,439	151,983
Total personnel expenses	<u>3,178,005</u>	<u>369,840</u>	<u>662,505</u>	<u>742,367</u>
Other expenses:				
Office rent and maintenance	379,008	13,053	31,459	22,049
Equipment rental	4,197	-	379	218
Office supplies and equipment	169,194	3,432	12,325	10,581
Telephone	134,142	-	12,899	7,800
Program travel	15,999	500	1,006	3,573
Conference travel	66,394	-	3,607	2,995
Library	61,211	-	4,899	4,141
Insurance	44,392	-	3,712	2,387
Auditing and accounting	13,220	-	4,200	3,360
Dues and fees	20,020	-	33,148	237
Litigation	14,666	-	1,015	667
Depreciation	53,262	-	-	-
Technology grant - LSC TIG National	67,456	-	-	-
Pro bono grant - LSC	192,026	-	-	-
Support to Public Law Center	-	-	15,290	-
Private attorney involvement	301,929	13,155	2,000	5,070
Interest	-	-	-	-
Special event expense - venue and other	21,918	-	-	-
Other	254,073	-	4,366	2,752
Total other expenses	<u>1,813,107</u>	<u>30,140</u>	<u>130,305</u>	<u>65,830</u>
Total expenses	<u>4,991,112</u>	<u>399,980</u>	<u>792,810</u>	<u>808,197</u>
Increase (decrease) in net assets	(5,039)	-	261,330	116,989
Net assets at beginning of year	<u>765,490</u>	<u>5,022</u>	<u>5,634</u>	<u>(22,607)</u>
Net assets at end of year	<u>\$ 760,451</u>	<u>5,022</u>	<u>266,964</u>	<u>94,382</u>

(continued)

(continued)

	Legal Aid Society			Totals	
	Other Grants	Building	Eliminations	2020	2019
Support and revenue:					
Contributions-Grants	\$ 3,996,415	-	-	10,732,543	8,350,215
Contributions-Technology grants- LSC TIG	-	-	-	68,498	57,325
Contributions-Pro bono grant - LSC	-	-	-	180,542	60,181
Contributions-Leadership grant	-	-	-	8,538	2,938
Investment income	13,641	-	-	26,554	17,469
Donated services	301,545	-	-	660,305	676,831
Contributions- other	61,380	-	-	61,380	159,518
Special event income -SELA	46,354	-	-	46,354	142,600
Rental income	7,200	537,061	(537,061)	7,200	13,585
Derivative income	-	-	-	-	15,911
Gain (loss) on sale of assets	-	-	-	-	(1,796)
Referral fees and miscellaneous income	365,936	-	-	365,936	318,169
Total support and revenue	<u>4,792,471</u>	<u>537,061</u>	<u>(537,061)</u>	<u>12,157,850</u>	<u>9,812,946</u>
Personnel expenses:					
Lawyers	1,245,132	-	-	2,720,425	2,195,835
Paralegals	656,974	-	-	1,670,682	1,386,737
Other nonlawyers	464,289	-	-	1,503,053	1,255,183
Donated services	301,545	-	-	660,305	676,831
Payroll taxes and employee benefits	502,945	-	-	1,569,137	1,399,957
Total personnel expenses	<u>3,170,885</u>	<u>-</u>	<u>-</u>	<u>8,123,602</u>	<u>6,914,543</u>
Other expenses:					
Office rent and maintenance	122,317	151,074	(537,061)	181,899	168,997
Equipment rental	373	-	-	5,167	6,517
Office supplies and equipment	57,333	6,875	-	259,740	247,929
Telephone	42,865	-	-	197,706	190,854
Program travel	15,928	-	-	37,006	28,038
Conference travel	24,229	-	-	97,225	67,815
Library	6,213	-	-	76,464	73,231
Insurance	14,273	15,192	-	79,956	75,463
Auditing and accounting	7,066	-	-	27,846	27,300
Dues and fees	5,540	282	-	59,227	64,322
Litigation	782	-	-	17,130	17,875
Depreciation	8,503	135,306	-	197,071	145,427
Technology grant - LSC TIG National	-	-	-	67,456	57,325
Pro bono grant - LSC	-	-	-	192,026	33,594
Support to Public Law Center	-	-	-	15,290	13,470
Private attorney involvement	147,360	-	-	469,514	526,786
Interest	-	152,689	-	152,689	164,374
Special event expense - venue and other	1,361	-	-	23,279	170,873
Other	169,967	6,700	-	437,858	363,559
Total other expenses	<u>624,110</u>	<u>468,118</u>	<u>(537,061)</u>	<u>2,594,549</u>	<u>2,443,749</u>
Total expenses	<u>3,794,995</u>	<u>468,118</u>	<u>(537,061)</u>	<u>10,718,151</u>	<u>9,358,292</u>
Increase (decrease) in net assets	997,476	68,943	-	1,439,699	454,654
Net assets at beginning of year	<u>1,227,821</u>	<u>2,361,350</u>	<u>-</u>	<u>4,342,710</u>	<u>3,888,056</u>
Net assets at end of year	<u>\$ 2,225,297</u>	<u>2,430,293</u>	<u>-</u>	<u>5,782,409</u>	<u>4,342,710</u>

COMMUNITY LEGAL AID SOCIAL

Schedule of Support, Revenue, Expenses and Changes in Net Assets for LSC Funds

Year Ended January 31, 2020
(with comparative totals for the year ended January 31, 2019)

	Basic Field Grant	Carryover*	PAI	TIG, Leadership, and Pro Bono	Property	Totals	
						2020	2019
Support and revenue:							
Contributions-Grants	\$4,393,139	-	-	-	-	4,393,139	4,136,097
Contributions-Technology grants- LSC TIG	-	-	-	68,498	-	68,498	57,325
Contributions-Pro bono grant - LSC	-	-	-	180,542	-	180,542	60,181
Contributions-Leadership grant	-	-	-	8,538	-	8,538	2,938
Investment income	12,913	-	-	-	-	12,913	7,969
Donated services	-	-	322,443	-	-	322,443	401,419
Derivative income	-	-	-	-	-	-	15,911
Gain (loss) on sale of assets	-	-	-	-	-	-	-
Total support and revenue	4,406,052	-	322,443	257,578	-	4,986,073	4,681,840
Personnel expenses:							
Lawyers	652,341	43,533	162,062	140,067	-	998,003	728,991
Paralegals	601,948	-	9,463	-	-	611,411	557,108
Other nonlawyers	835,702	-	39,067	8,568	-	883,337	852,239
Donated services	-	-	322,443	-	-	322,443	401,419
Payroll taxes and employee benefits	716,762	5,276	49,475	28,304	-	799,817	674,155
Total personnel expenses	2,806,753	48,809	582,510	176,939	-	3,615,011	3,213,912
Other expenses:							
Office rent and maintenance	379,008	-	-	-	-	379,008	354,920
Equipment rental	3,988	-	209	-	-	4,197	3,629
Office supplies and equipment	160,785	-	8,409	4,751	-	173,945	185,921
Telephone	127,475	-	6,667	3,460	-	137,602	148,490
Program travel	15,999	-	-	690	-	16,689	15,665
Conference travel	66,394	-	-	13,722	-	80,116	66,213
Library	61,211	-	-	-	-	61,211	59,786
Insurance	42,186	-	2,206	-	-	44,392	41,888
Auditing and accounting	12,563	-	657	-	-	13,220	18,046
Dues and fees	20,020	-	-	1,097	-	21,117	20,951
Litigation	14,666	-	-	-	-	14,666	15,138
Support to Public Law Center	-	-	-	-	-	-	-
Private attorney involvement	-	-	41,861	-	-	41,861	51,856
Depreciation	-	-	-	-	53,262	53,262	18,877
Special event expense- venue and other	21,918	-	-	-	-	21,918	127,710
Other	240,356	-	13,717	58,824	-	312,897	252,287
Total other expenses	1,166,569	-	73,726	82,544	53,262	1,376,101	1,381,377
Total expenses	3,973,322	48,809	656,236	259,483	53,262	4,991,112	4,595,289
Increase (decrease) in net assets	432,730	(48,809)	(333,793)	(1,905)	(53,262)	(5,039)	86,551
Other changes in net assets/ cash inflows (outflows):							
PAI	(372,544)	-	333,793	38,751	-	-	-
Purchase of property, equipment and software	(16,112)	-	-	-	16,112	-	-
Payment of debt principal	-	-	-	-	-	-	-
Transfer of proceeds from / returned to LSC	-	-	-	-	-	-	-
Total changes in net assets	44,074	(48,809)	-	36,846	(37,150)	(5,039)	86,551
LSC Net assets:							
LSC Net assets at beginning of year	403,855	48,809	-	26,586	286,240	765,490	678,939
LSC Net assets at end of year	\$ 447,929	\$ -	-	63,432	249,090	760,451	765,490

*- LSC basic field grant net assets exceeded the 10% of support requirement by \$48,809 (or 1.2%) for the year ended January 31, 2019 and was required by 45CFR 1628.2a. to be carried over to fiscal year ended January 31, 2020.

**SINGLE AUDIT REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**



An Independent CPA Firm

Board of Directors
Community Legal Aid of SoCal
Santa Ana, California

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community Legal Aid of SoCal (CLASC), as of and for the year ended January 31, 2020, and the related notes to the financial statements, which collectively comprise CLASC's basic financial statements, and have issued our report thereon dated July 7, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CLASC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations provided for in the *Code of Federal Regulations (45 CFR Part 1600) – Legal Services Corporation Act* established by the United States Congress. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gruber and Associates, Inc.

Gruber and Associates, Inc.

Newport Beach, California
July 7, 2020



An Independent CPA Firm

Board of Directors
Community Legal Aid of SoCal
Santa Ana, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited the Community Legal Aid of SoCal's (CLASC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CLASC's major federal programs for the year ended January 31, 2020. CLASC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CLASC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Code of Federal Regulations (45 CFR Part 1600) – Legal Services Corporation Act*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CLASC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CLASC's compliance.

Opinion on Each Major Federal Program

In our opinion, CLASC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of CLASC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CLASC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CLASC's internal control over compliance.

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

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

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

Gruber and Associates, Inc.

Gruber and Associates, Inc.

Newport Beach, California
July 7, 2020

LEGAL AID SOCIETY OF ORANGE COUNTY, INC.

Schedule of Expenditures of Federal Awards

Year Ended January 31, 2020

Federal Grantor Program Title/ Pass-through Grantor	Federal CFDA Number	Program Identification Number	Grant Period	Total Award	Federal Award Expenditures	Payments to Subrecipients
Major Program						
Legal Services Corporation - pass-through program:						
Legal Services Corporation for low income - basic grant	09.805310	805310	01/01/2019 - 12/31/2019	\$ 4,125,058	3,794,389	8,000
Legal Services Corporation for low income - basic grant	09.805310	805310	01/01/2020 - 12/31/2020	4,249,790	598,750	-
Subtotal - Legal Services Corporation for low income basic grant					4,393,139	8,000
Vieth Leadership Grant Program	09.805310	G805310	01/01/2020-12/31/2020	8,538	8,538	-
Pro Bono Innovation Fund (PBIF)	09.805310	PB18022	10/01/2018 - 09/30/2020	361,083	180,542	-
Technology Initiative Grant -TIG/ EITC	09.805310	15054	10/01/2015 - 03/31/2019	152,200	48,724	-
Technology Initiative Grant -TIG/ EITC	09.805310	16019	1/1/2016-12/31/2019	94,064	19,774	-
Subtotal - Legal Services Corporation TIG					68,498	-
Subtotal - Legal Services Corporation					4,650,717	8,000 *
U.S. Department of Health and Human Services:						
Passed through:						
Special Programs for the Aging-Title IIIB - Supportive Services and Senior Centers:						
County of Orange Community Services Agency	93.044	35	07/01/2018 - 06/30/2019	346,170	163,759	-
County of Orange Community Services Agency	93.044	35	07/01/2019 - 06/30/2020	306,990	199,904	-
Subtotal-Special Programs for the Aging-Title IIIB					363,663	-
State of California, Community and Senior Services of Los Angeles County:						
CalWORKs - Domestic Violence Supportive Services	93.558	SSC-000026	07/01/2018 - 06/30/2019	587,867	244,945	-
CalWORKs - Domestic Violence Supportive Services	93.558	SSC-000026	07/01/2019 - 06/30/2020	587,867	314,677	-
Subtotal - CalWORKs - Domestic Violence Supportive Services					559,622	-
Subtotal -U.S. Department of Health and Human Services					923,285	-
U.S. Department of Housing and Urban Development:						
Community Development Block Grants Cluster - pass-through:						
City of Norwalk FY 18/19	14.218	B-11-MC-06-0524	07/01/2018 - 06/30/2019	11,000	11,000	-
City of Compton FY 18/19	14.218	B-11-MC-06-0524	07/01/2018 - 06/30/2019	25,000	10,417	-
City of Compton FY 19/20	14.218	B-11-MC-06-0524	07/01/2019-06/30/2020	20,000	11,666	-
City of Santa Ana Expungement FY 18/19	14.218	B-18-MC-06-0508	07/01/2018 - 06/30/2019	44,277	30,517	-
City of Santa Ana Domestic Violence FY 18/19	14.218	B-18-MC-06-0508	07/01/2018 - 06/30/2019	36,374	24,380	-
City of Santa Ana Domestic Violence FY 19/20	14.218	B-18-MC-06-0508	07/01/2019-06/30/2020	38,000	9,683	-
Subtotal - Community Development Block Grants Cluster					97,663	-
U.S. Department of Treasury:						
Internal Revenue Service:						
Low income tax	21.008	19LITC0033-02-01	01/01/2019 - 12/31/2019	100,000	47,942	-
Low income tax	21.008	19LITC0033-02-01	01/01/2020 - 12/31/2020	62,260	8,117	-
Subtotal- Low income tax					56,059	-
Subtotal - U.S. Department of Treasury					56,059	-
U.S. Department of Justice:						
Cal OES - pass through:						
Legal Assistance for Victims	16.524	XL16 01 1109	7/1/2016-12/31/2019	699,083	216,750	-
Legal Assistance for Victims	16.524	XL19 02 1109	1/1/2020-12/31/2020	250,000	13,788	-
Legal Assistance for Victims (Rainbow Services)	16.524	XL16 01 1339	10/1/2018-9/30/2021	270,216	117,396	-
Legal Assistance for Victims (Foster Youth)	16.524	XL18 01 1109	1/1/2019-12/31/2019	301,819	24,785	-
Legal Assistance for Victims (Foster Youth)	16.524	XL18 01 1109	1/1/2020-12/31/2020	311,632	8,410	-
Legal Assistance for Victims (Human Options)	16.524	OVW-2018-13828	10/1/2018-9/30/2021	303,264	119,687	-
Legal Assistance for Victims (Women's Transitional Living Center, WTLC)	16.524		3/1/2019-12/31/2020	50,000	50,000	-
Subtotal - Legal Assistance for Victims					550,816	-
Equal Justice Works - pass through:						
Crime Victims Justice Corps (VOCA)	16.582	2018-CVJC-023	6/1/2018-7/31/2020	138,388	42,118	-
Crime Victims Justice Corps (TVPA)	16.582	2018-CVJC-023	5/1/2018-7/31/2020	104,144	52,344	-
Subtotal - Crime Victims Justice Corps					94,462	-
Subtotal - U.S. Department of Justice					645,278	-
Total Federal Award Expenditures					\$ 6,373,002	8,000

*- Denotes major federal program.

COMMUNITY LEGAL AID OF SOCAL

Notes to the Schedule of Expenditures of Federal Awards

January 31, 2020

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Community Legal Aid of SoCal (CLASC) that are reimbursable under federal programs of federal agencies providing financial assistance. For purposes of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency and expended, as well as federal funds received indirectly by CLASC from a non-federal agency and expended. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenses in excess of the maximum federal reimbursement authorized or the portion of program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures reported include any property or equipment acquisitions incurred under the Federal program. The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Office of Management and Budget Uniform Grant Guidance).

(c) Subrecipients

Payments of federal funds were made to the following subrecipients for the year ended January 31, 2020:

	LSC
	<u>CFDA#09.805310</u>
Community Lawyers, Inc	\$ <u>8,000</u>
Total	<u>8,000</u>

(d) De Minimus Indirect Cost Rate

The entity elected to use the 10% de minimus indirect cost rate.

COMMUNITY LEGAL AID OF SOCAL
Schedule of Findings and Questioned Costs
Year ended January 31, 2020

Summary of Auditors' Results

A) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

1. An unmodified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control nor were there any significant deficiencies.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.

(B) Findings and Questioned Costs for Federal Awards as Defined in 2 CFR 200.515(d) and 2CFR 200.516(a)

4. There were no material weaknesses or other significant deficiencies in internal control over federal major programs of the auditee.
5. An unmodified report was issued by the auditors on compliance for federal major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under 2 CFR 200.515(d) and CFR 200.516(a).
7. The major program of the auditee was the Legal Services Corporation Program, CFDA No. 09.805310.
8. The dollar threshold used to distinguish Type A and Type B programs was \$750,000, 2 CFR 200.518 (b) (1).
9. The auditee was not considered a low risk auditee as defined by 2 CFR 200.518 for the year ended January 31, 2020 for purposes of determining major programs.

COMMUNITY LEGAL AID OF SOCAL
Summary Schedule of Prior Audit Findings

Year ended January 31, 2020

There were no findings reported in the single audit report for the year ended January 31, 2019.