



**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

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**FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL SCHEDULES**

**DECEMBER 31, 2019 and 2018**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Neighborhood Legal Services  
of Los Angeles County

### Report on the Financial Statements

We have audited the accompanying financial statements of Neighborhood Legal Services of Los Angeles County (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2019 and 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

### Management's 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 audits. 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 from 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 auditors' 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 Neighborhood Legal Services of Los Angeles County as of December 31, 2019 and 2018, 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matter

#### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Revenue, Support, Expenses, and Changes in Net Assets for Legal Services Corporation ("LSC") Funds, and Schedule of Revenue, Support, and Expenses by Grant, are presented for purposes of additional analysis as required by LSC *Audit Guide for Recipients*, and are 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 September 24, 2020, on our consideration of Neighborhood Legal Services of Los Angeles County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood Legal Services of Los Angeles County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Legal Services of Los Angeles County's internal control over financial reporting and compliance.

*Harrington Group*

Pasadena, California  
September 24, 2020

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 682,025	\$ 734,703
Client trust deposits (Note 2)	583,070	7,300
Total cash	1,265,095	742,003
Grants and other receivables	4,110,915	2,873,260
Pledges receivable, net (Note 4)	39,128	18,530
Prepaid expenses and deposits	121,601	105,307
Investments (Note 5)	2,491,407	3,809,947
Property and equipment (Note 6)	2,779,700	2,079,921
<b>TOTAL ASSETS</b>	<b>\$ 10,807,846</b>	<b>\$ 9,628,968</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,637,851	\$ 1,280,851
Accrued liabilities (Note 7)	1,133,593	548,101
Accrued unemployment liability (Note 8)	153,978	157,945
Deferred revenue	1,205,453	736,163
Deferred revenue - LSC (Note 2)	417,003	-
Line of credit (Note 9)	-	-
Notes payable (Note 10)	17,861	35,742
<b>TOTAL LIABILITIES</b>	<b>4,565,739</b>	<b>2,758,802</b>
<b>NET ASSETS</b>		
Without donor restrictions	5,890,019	5,831,755
With donor restrictions (Note 12)	352,088	1,038,411
<b>TOTAL NET ASSETS</b>	<b>6,242,107</b>	<b>6,870,166</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,807,846</b>	<b>\$ 9,628,968</b>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY**

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2019 and 2018

	December 31, 2019			December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Government contracts (Note 14)	\$ 11,100,349	\$ 4,124,419	\$ 15,224,768	\$ 9,627,017	\$ 4,831,776	\$ 14,458,793
Donated materials and services (Note 2)	1,899,999		1,899,999	2,477,847		2,477,847
Foundations	1,279,798		1,279,798	1,220,816	12,000	1,232,816
Attorney fees and costs	184,639		184,639	285,456		285,456
Fellowship income	142,313		142,313	119,988		119,988
Special event	108,365		108,365	106,085		106,085
Rental income	63,009		63,009	63,774		63,774
Income from investments	61,067		61,067	61,214		61,214
Contributions	87,732	103,937	191,669	26,523	18,000	44,523
Legal services exchanged for reduction of debt	17,881		17,881	17,881		17,881
Other revenue	127,015		127,015			-
Net assets released from restrictions (Note 12)	4,914,679	(4,914,679)	-	4,954,198	(4,954,198)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>19,986,846</b>	<b>(686,323)</b>	<b>19,300,523</b>	<b>18,960,799</b>	<b>(92,422)</b>	<b>18,868,377</b>
<b>EXPENSES</b>						
Program services	17,146,586		17,146,586	16,004,503		16,004,503
Management and general	2,247,915		2,247,915	2,509,185		2,509,185
Fundraising	534,081		534,081	248,718		248,718
<b>TOTAL EXPENSES</b>	<b>19,928,582</b>	<b>-</b>	<b>19,928,582</b>	<b>18,762,406</b>	<b>-</b>	<b>18,762,406</b>
<b>CHANGE IN NET ASSETS</b>	<b>58,264</b>	<b>(686,323)</b>	<b>(628,059)</b>	<b>198,393</b>	<b>(92,422)</b>	<b>105,971</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>5,831,755</b>	<b>1,038,411</b>	<b>6,870,166</b>	<b>5,633,362</b>	<b>1,130,833</b>	<b>6,764,195</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,890,019</b>	<b>\$ 352,088</b>	<b>\$ 6,242,107</b>	<b>\$ 5,831,755</b>	<b>\$ 1,038,411</b>	<b>\$ 6,870,166</b>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2019

	Program Services									Total Program Services	Management and General	Fundraising	Total Expenses
	General Legal Services	Housing and Eviction Defense	Self Help Centers	Health	Medical Legal Community Partnership	Domestic Violence	Antelope Valley	Clean Slate Initiative	Disaster Relief				
Salaries and wages	\$ 2,839,351	\$ 1,024,706	\$ 1,112,691	\$ 1,236,966	\$ 280,221	\$ 731,035	\$ 390,485	\$ 141,541	\$ 145,726	\$ 7,902,722	\$ 1,418,582	\$ 159,547	\$ 9,480,851
Payroll taxes and employee benefits	834,355	300,161	329,267	365,135	81,983	219,338	115,486	41,583	42,339	2,329,647	409,233	47,090	2,785,970
Total personnel costs	3,673,706	1,324,867	1,441,958	1,602,101	362,204	950,373	505,971	183,124	188,065	10,232,369	1,827,815	206,637	12,266,821
Sub-grants		1,838,778	848,583	77,035	312,849					3,077,245			3,077,245
Donated materials and services (Note 2)	501,533	131,010	638,967	181,244		437,332	7,813		2,100	1,899,999			1,899,999
Professional fees	195,534	29,114	8,942	12,095	11,203	3,115	977	1,275	36	262,291	104,022	200,457	566,770
Occupancy	325,704	49,899		32,727	7,497	8,407	6,338		2,122	432,694	69,387	10,976	513,057
Office supplies and expense	149,695	23,391	85,521	21,917	8,020	9,617	10,672	(634)	19,587	327,786	32,539	9,231	369,556
Depreciation	153,627	13,312								166,939	78,456		245,395
Telephone	98,730	29,060	2,876	24,317	8,973	6,877	7,702	1,132	1,386	181,053	22,370	3,808	207,231
Travel and training	74,158	23,109	11,217	16,262	8,930	9,760	24,215	2,700	1,287	171,638	7,634	2,402	181,674
Equipment rental and maintenance	43,940	19,797	17,093	9,188	6,370	2,495	3,283	176	2,568	104,910	55,037	13,181	173,128
Insurance	44,099	9,018	724	5,870	1,608	3,693	745		694	66,451	14,322	2,203	82,976
Dues and subscriptions	65,224	1,630	125	41						67,020	7,120	350	74,490
Special event												63,846	63,846
Meetings and events	28,387	1,113	251	1,112	117	150	1,646	(24)	809	33,561	11,094	11,860	56,515
Miscellaneous	17,158	4,500	380	1,627	4,223	143	417	147		28,595	14,728	9,130	52,453
Litigation	28,605	4,942		4,804	142	4,227	5,081	756	212	48,769	70		48,839
Library maintenance	28,926	5,937	100	5,538	819	2,265	1,459		222	45,266	3,321		48,587
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 5,429,026</b>	<b>\$ 3,509,477</b>	<b>\$ 3,056,737</b>	<b>\$ 1,995,878</b>	<b>\$ 732,955</b>	<b>\$ 1,438,454</b>	<b>\$ 576,319</b>	<b>\$ 188,652</b>	<b>\$ 219,088</b>	<b>\$ 17,146,586</b>	<b>\$ 2,247,915</b>	<b>\$ 534,081</b>	<b>\$ 19,928,582</b>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2018  
continued

	Program Services								Total Program Services	Management and General	Fundraising	Total Expenses
	General Legal Services	Housing and Eviction Defense	Self Help Centers	Health	Domestic Violence	Antelope Valley	Clean Slate Initiative	Disaster Relief				
Salaries and wages	\$ 2,501,517	\$ 642,400	\$ 1,073,968	\$ 1,494,592	\$ 796,151	\$ 140,883	\$ 47,176	\$ 33,312	\$ 6,729,999	\$ 1,609,164	\$ 45,303	\$ 8,384,466
Payroll taxes and employee benefits	755,492	202,082	333,504	465,350	252,581	43,989	14,474	9,981	2,077,453	480,853	14,320	2,572,626
Total personnel costs	3,257,009	844,482	1,407,472	1,959,942	1,048,732	184,872	61,650	43,293	8,807,452	2,090,017	59,623	10,957,092
Sub-grants		1,559,686	838,063	304,658	100,684				2,803,091			2,803,091
Donated materials and services (Note 2)	621,468	13,078	709,656	777,144	311,916				2,433,262	44,585		2,477,847
Professional fees	313,398	23,406	2,525	60,374	8,508	19,545	1,409		429,165	77,843	80,220	587,228
Occupancy	304,160	10,067	11	18,266	18,569				351,073	27,588	1,191	379,852
Office supplies and expense	137,005	20,218	75,571	25,851	9,814	4,355	1,618	698	275,130	17,312	593	293,035
Depreciation	119,368	8,349							127,717	81,491		209,208
Telephone	121,805	7,282	2,222	33,242	6,911	3,312		129	174,903	20,285	654	195,842
Travel and training	92,165	20,124	4,268	27,172	8,871	9,268	751	1,022	163,641	9,514		173,155
Equipment rental and maintenance	60,403	19,421	23,566	16,414	2,754	1,564	343	375	124,840	57,505	7,884	190,229
Insurance	45,011	2,202		3,122	2,776	327			53,438	12,175	393	66,006
Dues and subscriptions	58,292	1,301	85	165					59,843	10,654		70,497
Special event											62,638	62,638
Meetings and events	29,300	263	44	2,451	65	265	24	20	32,432	13,247		45,679
Miscellaneous	26,480	7,716	636	2,955	18			142	37,947	46,717	35,522	120,186
Litigation	44,282	15,070	68	5,783	17,514	3,410	781		86,908	252		87,160
Library maintenance	41,409			2,252					43,661			43,661
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 5,271,555</b>	<b>\$ 2,552,665</b>	<b>\$ 3,064,187</b>	<b>\$ 3,239,791</b>	<b>\$ 1,537,132</b>	<b>\$ 226,918</b>	<b>\$ 66,576</b>	<b>\$ 45,679</b>	<b>\$ 16,004,503</b>	<b>\$ 2,509,185</b>	<b>\$ 248,718</b>	<b>\$ 18,762,406</b>

The accompanying notes are an integral part of these financial statements.



# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (628,059)	\$ 105,971
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Legal services exchanged for reduction of debt	(17,881)	(17,881)
Depreciation	245,395	209,208
Interest and dividends reinvested	(52,910)	(64,873)
(Gain)/loss on investments	(8,157)	3,659
(Increase) decrease in operating assets:		
Grants receivable	(1,237,655)	(787,876)
Pledges receivable	(20,598)	31,707
Prepaid expenses and deposits	(16,294)	(38,837)
Increase (decrease) in operating liabilities:		
Accounts payable	357,000	248,247
Accrued liabilities	585,492	95,807
Accrued unemployment liability	(3,967)	17,222
Deferred revenue	469,290	(195,118)
Deferred revenue - LSC	417,003	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>88,659</b>	<b>(392,764)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	2,822,373	2,015,922
Purchase of investments	(1,442,766)	(1,754,362)
Purchase of property and equipment	(945,174)	(69,727)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>434,433</b>	<b>191,833</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>523,092</b>	<b>(200,931)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>742,003</b>	<b>942,934</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,265,095</b>	<b>\$ 742,003</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Repayment of notes payable by providing legal and other services:	<b>\$ 17,881</b>	<b>\$ 17,881</b>

The accompanying notes are an integral part of these financial statements.

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**

Neighborhood Legal Services of Los Angeles County (“NLSLA”) is a California not-for-profit corporation organized for the purpose of providing free legal assistance on civil matters to low-income persons who reside in Los Angeles County, when they are unable to afford such services through customary channels.

NLSLA is funded by donations, grants, and contracts from federal, state, county, and municipal government, private foundations, corporations, and individuals.

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

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

#### **Revenue and Revenue Recognition**

NLSLA recognizes contributions when cash or other assets, an unconditional promise to give or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of NLSLA’s revenue is derived from cost-reimbursable federal, state, county, city contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NLSLA has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the Statement of Financial Position.

Per the Legal Services Corporation (“LSC”) Program Letter 20-4, and in conjunction with FASB ASU 2018-08, LSC Basic Field Grant awards do not involve an exchange with recipients of commensurate value and the benefit to LSC is considered indirect because the grant serves the general public. As such, LSC considers its Basic Field Grant awards as non-exchange transactions/contributions. The LSC Grant is reported in NLSLA’s financial statements as “with donor restrictions” and as an increase to “with donor restrictions” net assets. LSC net assets can be released from restriction only when eligible expenses are incurred.

In accordance with LSC Program Letter 20-4, unearned LSC basic field grant is recorded in the statement of financial position as deferred revenue. The 2019 LSC basic field grant award is \$4,201,601, of which NLSLA has recognized \$3,784,598 as revenue “with donor restrictions” in 2019 and has recorded \$417,003 as deferred revenue liability in the statement of financial position as of December 31, 2019.

continued

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**With Donor Restrictions.** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Contributions and Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Grant Funding**

NLSLA receives multi-year grant funding from various sources, which, in accordance with generally accepted accounting principles, are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

**Grants Receivable**

Grants receivable are receivables from government entities and other organizations. No allowance for doubtful accounts has been provided as the amounts earned are deemed collectible for services rendered.

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Investments**

NLSLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Short-term highly liquid money market deposits and certificate of deposits that are not used for operations are treated as investments.

#### **Fair Value Measurement**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

NLSLA is required to measure donated services and pledged contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### **Concentration of Credit Risks**

NLSLA places its temporary cash investments with high credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. NLSLA has not incurred losses related to these investments.

The grants and other receivables balance outstanding at December 31, 2019 and 2018 consists primarily of government contract and grant receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to these receivables is limited, as the majority of NLSLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 79% and 77% of NLSLA's total revenue was derived from government contracts for the years ended December 31, 2019 and 2018, respectively. Additionally, for the years ended December 31, 2019 and 2018, revenue from one government funding source was approximately 22% and 27% of total revenue, respectively.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

continued

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

Property and equipment acquired with federal funds or LSC funds are considered to be owned by NLSLA while used in the program or in future authorized programs. However, funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

#### **Attorney Fees and Costs**

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipt of such funding, NLSLA recognizes this support in the period in which the cash is received and the related case is ultimately resolved.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are measured on a non-recurring basis and recorded at fair value in the period received. NLSLA has received significant contributions of non-cash legal services. The value of contributed legal services and donated goods meeting the requirement of recognition in the financial statements was \$1,899,999 and \$2,477,847 for the years ended December 31, 2019 and 2018, respectively.

#### **Clients' Trust Deposits**

NLSLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of NLSLA because NLSLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of NLSLA. As of December 31, 2019 and 2018, clients' trust deposits of \$583,070 and \$7,300, respectively, were included in cash.

#### **Income Taxes**

NLSLA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In addition, NLSLA has been determined by the Internal Revenue Service and the Franchise Tax Board not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code and Section 23709 of the Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by NLSLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. NLSLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

continued

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Functional Allocation of Expenses**

Costs of providing NLSLA's programs and other activities have been presented in the Statements of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

#### **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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Recently Adopted Accounting Pronouncements**

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition mode, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. NLSLA has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on the net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. NLSLA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

NLSLA's financial statements for years ended December 31, 2019 and 2018 are presented in accordance with ASU 2018-08.

#### **Reclassifications**

Certain amounts from the December 31, 2018 financial statements have been reclassified for comparative purposes to conform to December 31, 2019 presentation.

continued

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources

NLSLA monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NLSLA has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$4,500,000. NLSLA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NLSLA has \$7,323,475 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$682,025, grants receivable of \$4,110,915, pledges receivable, net of \$39,128, and short-term investments of \$2,491,407. None of these financial assets are subject to donor or other contractual restrictions that would make them unavailable for general expenditure within one year of the balance sheet date. The pledges receivable is subject to implied time restrictions but are expected to be collected within one year.

In addition to financial assets available to meet general expenditures over the next 12 months, NLSLA operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of NLSLA's cash and shows positive cash for years ended December 31, 2019 and 2018.

NLSLA has various sources of liquidity at its disposal. As part of its liquidity management plan, NLSLA invests cash in excess of daily requirements in short-term investments, certificates of deposits, and money market funds. As more fully described in Note 9, NLSLA also has a revolving line of credit, with a bank, in the amount of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity level.

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

**4. Pledges Receivable**

Unconditional promises to give (pledges receivable) that are expected to be collected in future years are measured on a non-recurring basis at the date of the pledge. All pledges are valued at estimated fair value at December 31, 2019. NLSLA establishes an allowance for doubtful accounts, which is determined by considering a number of factors, including the length of time pledges receivable are past due, and the pledgers' current ability to pay its obligation owed to NLSLA. The allowance for doubtful accounts at December 31, 2019 and 2018 was \$36,757 and \$44,416, respectively. Total pledges receivable at December 31, 2019 and 2018 of \$39,128 and \$18,530, respectively, are expected to be collected within one year and are as follows:

	<u>2019</u>	<u>2018</u>
Pledges receivable, gross	\$75,885	\$62,946
Less: allowance for doubtful accounts	<u>36,757</u>	<u>44,416</u>
Pledge receivable, net	<u>\$39,128</u>	<u>\$18,530</u>

**5. Investments**

Investments at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$1,744,748	\$3,277,052
Money market	<u>746,659</u>	<u>532,895</u>
	<u>\$2,491,407</u>	<u>\$3,809,947</u>

**6. Property and Equipment**

Property and equipment at December 31, 2019 and 2018 consist of the following:

<u>December 31, 2019</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,837,778	1,874,760	3,712,538
Building	1,666,294	219,020	1,885,314
Equipment	167,707		167,707
Furniture	236,215	70,902	307,117
Computer software	118,150	7,500	125,650
Computer hardware	<u>40,621</u>		<u>40,621</u>
	4,178,613	2,310,147	6,488,760
Less: accumulated depreciation	<u>(2,328,650)</u>	<u>(1,380,410)</u>	<u>(3,709,060)</u>
	<u>\$ 1,849,963</u>	<u>\$ 929,737</u>	<u>\$ 2,779,700</u>

continued



**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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**6. Property and Equipment, continued**

<u>December 31, 2018</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,237,923	1,647,761	2,885,684
Building	1,666,294	219,020	1,885,314
Equipment	167,707		167,707
Furniture	141,558	47,239	188,797
Computer software	118,150	7,500	125,650
Computer hardware	<u>40,621</u>		<u>40,621</u>
	3,484,101	2,059,485	5,543,586
Less: accumulated depreciation	<u>(2,150,983)</u>	<u>(1,312,682)</u>	<u>(3,463,665)</u>
	<u>\$ 1,333,118</u>	<u>\$ 746,803</u>	<u>\$ 2,079,921</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$245,395 and \$209,208, respectively.

**7. Accrued Liabilities**

Accrued liabilities at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Accrued vacation	\$ 431,503	\$433,576
Clients' trust deposits (Note 2)	583,070	7,300
Other liabilities	<u>119,020</u>	<u>107,225</u>
	<u>\$1,133,593</u>	<u>\$548,101</u>

**8. Accrued Unemployment Liability**

NLSLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2019 and 2018, of \$153,978 and \$157,945, respectively, represents estimated future claims arising from payroll paid through those year ends. Unemployment expense for the years ended December 31, 2019 and 2018 was \$9,770 and \$15,896, respectively.

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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**9. Line of Credit**

NLSLA has a revolving line of credit, with a bank, in the amount of \$1,000,000, secured by real property, with a variable interest rate of prime rate plus 1.35% with a minimum interest rate of 5%, due March 15, 2021. There was no outstanding balance at December 31, 2019 and 2018.

**10. Notes Payable**

Notes payable at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Note payable to the City of Glendale, with an interest rate of 0% per annum. This note is collateralized by a trust deed. Under the terms of the loan agreement, NLSLA shall provide services to the residents of the City of Glendale and complete quarterly reports, and shall receive an annual credit of \$12,400 toward the unpaid balance of the note. Annual credits are also recognized as “legal services exchanged for reduction of debt” in the Statements of Activities.	<b>\$ 5,527</b>	\$17,927
Note payable to the City of Los Angeles, with an interest rate of 0% per annum. This note is collateralized by a trust deed. Under the terms of the loan agreement, NLSLA shall provide services to Los Angeles residents, and shall receive an annual credit of \$5,481 toward the unpaid balance of the note. Annual credits are also recognized as “legal services exchanged for reduction of debt” in the Statements of Activities.	<u>12,334</u>	<u>17,815</u>
	<b><u>\$17,861</u></b>	<b><u>\$35,742</u></b>

Maturities for notes payable are as follows:

<u>Year ending December 31,</u>	
2020	\$11,008
2021	5,481
2022	<u>1,372</u>
	<b><u>\$17,861</u></b>

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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**11. Commitments and Contingencies**

**Obligations Under Operating Leases**

NLSLA leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending December 31,</u>	
2020	\$ 304,794
2021	307,282
2022	312,312
2023	242,112
2024	<u>63,216</u>
	<u>\$1,229,716</u>

Rent and equipment lease expense under operating leases for the years ended December 31, 2019 and 2018 was \$332,007 and \$269,440, respectively.

**Contracts**

NLSLA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. However, as a result of the 2019 LSC OIG audit, NLSLA reclassified \$94,171 of prior year expenditures from the LSC to the Unrestricted Fund. \$83,580 related to fifty percent of 2017 and 2018 Network Management Consultant fees and was reclassified in accordance with NLSLA's new cost allocation methodology. And, \$10,591 related to unallowable fundraising expenses under the LSC basic field grant which was reclassified to the Unrestricted Fund. The reclassification amount is presented in the supplemental schedules.

**12. Net Assets With Donor Restrictions**

Net assets with donor restrictions at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Legal services (LSC funding)	\$ -	\$ 766,303
Health advocacy fund	<b>215,696</b>	186,203
Other	<u>136,392</u>	<u>85,905</u>
	<b><u>\$352,088</u></b>	<b><u>\$1,038,411</u></b>

continued

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

**12. Net Assets With Donor Restrictions**, continued

For the years ended December 31, 2019 and 2018, net assets released from purpose restrictions were as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction:		
Legal services	\$4,890,722	\$4,935,345
Health advocacy fund	23,957	-
Other	-	18,853
	<u>\$4,914,679</u>	<u>\$4,954,198</u>

In accordance with 45 CFR Section 1628, NLSLA received approval from the LSC to waive the 10% ceiling on the December 31, 2017 LSC fund balance. The LSC fund balance as of December 31, 2017 was \$867,102 and, of that, \$423,948 represented the portion in excess of 10% that was scheduled to be expended in 2018 on the new El Monte office tenant improvement project. NLSLA requested and received approval from LSC to expend the 2017 excess funds in full on the El Monte tenant improvements project by June 30, 2019, which NLSLA did.

**13. Fair Value Measurements**

The table below presents the balances of assets measured at fair value at December 31, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$1,744,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,744,748</u>

The fair values of certificates of deposit have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$1,899,999	\$ -	\$1,899,999
Pledged contributions - new	-	-	63,675	63,675
	<u>\$ -</u>	<u>\$1,899,999</u>	<u>\$63,675</u>	<u>\$1,963,674</u>

The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions – new is measured on a non-recurring basis based on the value provided by the donor at the date of pledge (Level 3 inputs).

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

**14. Government Contracts**

Government contracts for the years ended December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Legal Services Corporation	<b>\$ 3,784,598</b>	\$ 4,691,409
Shriver Housing Project – Los Angeles	<b>2,351,991</b>	2,161,661
County of Los Angeles – Self Help Centers	<b>2,265,358</b>	2,161,637
LAHSA Homelessness	<b>941,969</b>	388,251
County of Los Angeles – CalWORKs DVSS	<b>854,656</b>	894,153
Interest on Lawyers Trust Account	<b>777,110</b>	399,690
Equal Access to Justice	<b>648,650</b>	660,550
DMHC Consumer Assistance Program	<b>604,575</b>	593,008
LAC DHS MLCP - Whole Person Care	<b>615,632</b>	401,424
DMHC CCI	<b>266,329</b>	377,234
California Office of Emergency Services – Victims of Crime Act	<b>257,620</b>	198,250
LSTF - JAAVA	<b>230,000</b>	230,000
Department of Justice – Violence Against Women Act	-	216,906
MHSA Innovation	<b>228,812</b>	8,834
imPACT-City of LA Reentry	<b>208,150</b>	74,658
LSC – Pro Bono Innovation Fund	<b>181,212</b>	81,653
Equal Access Partnership	<b>180,000</b>	240,000
Covered California	<b>177,691</b>	177,692
LSC – Disaster Relief	<b>158,609</b>	58,714
Equal Access Partnership – Shriver SH	<b>140,000</b>	103,000
County of Los Angeles – CSBG BUILD	<b>84,257</b>	123,077
County of Los Angeles - DPH-DV-Substance Abuse Disorder	<b>71,738</b>	-
Pomona Self-Help Center Access to Justice Intern Project	<b>70,375</b>	53,218
El Monte Mobile Home Park	<b>44,270</b>	30,300
Measure H	<b>18,775</b>	57,000
LSTF – EAF Homelessness	<b>8,799</b>	-
California Office of Emergency Services – Family Justice Center	<b>8,314</b>	-
LA Care	<b>1,803</b>	-
LSTF – HOGAR Foreclosure Prevention	-	27,437
Children’s Outreach Enrollment Utilization and Retention Training Grant	<b>43,475</b>	47,037
California Department of Social Services – Unaccompanied Minors	-	2,000
	<b><u>\$15,224,768</u></b>	<b><u>\$14,458,793</u></b>

**NEIGHBORHOOD LEGAL SERVICES  
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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**15. Employee Benefit Plan**

Retirement benefits are provided to employees under a non-contributory, non-qualified tax deferred annuity pension plan. Under the plan, NLSLA contributes an amount equal to 3% of each participant's annual compensation for employees with less than five years of service, 6% for employees with more than five years and up to ten years of service, and 9% for employees with more than ten years of service. There are no past service costs associated with the plan, and employees are fully vested for all contributions on their behalf. Total contributions were \$503,645 in 2019 and \$432,172 in 2018.

**16. Pomona Self-Help Center Access to Justice Intern Project**

Effective September 2014, the County of Los Angeles contracted with NLSLA for \$310,000 over a period of five years to hire, train and support two Justice Interns to provide services at the Pomona Self-Help Legal Access Center. In 2019 NLSLA expended \$70,375 in personnel expenses towards in and the completion of the project.

**17. Private Attorney Involvement**

LSC requires that an amount equal to 12.5% of its current grant be utilized for private attorney involvement ("PAI"). NLSLA's PAI requirement and the related expenses during the year ended December 31, 2019 are summarized as follows:

Support:	
LSC basic grant	\$4,201,601
	<u>        x 12.5%</u>
PAI requirement	<u>\$ 525,200</u>
Expenses:	
Personnel salaries:	
Lawyers, paralegals, clerical, and administrative staff	\$365,588
Employee benefits	107,446
Office expense	12,513
Occupancy	17,290
Professional fees	7,045
Equipment rental and maintenance	5,834
Telephone	6,984
Travel and training	712
Insurance	2,796
Library maintenance	1,637
Delivery	601
Litigation	1,069
Meeting and events	307
Dues and subscriptions	<u>125</u>
	<u>\$529,947</u>
Net PAI expenses (over) the requirement threshold	<u><u>\$(4,747)</u></u>

continued

# NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 18. Subsequent Events

On March 11, 2020, the World Health Organization characterized COVID-19 virus as a global pandemic. NLSLA, a non-profit, legal aid program is considered a provider of “essential services” as defined by California Governor Gavin Newsom’s and the Los Angeles City and County “Safe at Home” orders. NLSLA began converting to electronic, phone, and remote operations the week of March 9; it closed its doors to the public on Friday, March 13 per government mandates, and implemented remote operations the week of Monday, March 16. On Friday, March 20, NLSLA closed all its offices to staff and the public to comply with the “Safe at Home” orders, issued the evening of Thursday, March 19. Future potential impacts may include continued disruptions or restrictions on our employees’ ability to work and impairment of our ability to meet grant and contract obligations, obtain contributions, utilize volunteers and meet our Private Attorney Involvement requirement by the LSC, Basic Field Grant annual award. The future effects of these issues and range of time until the Safe at Home orders are fully lifted are unknown. Management is carefully monitoring the situation and evaluating its options and deliverables during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

With the courts and businesses closed and future earnings uncertain, NLSLA applied and was approved for a \$2,306,800 loan from East West Bank under the Paycheck Protection Program (“PPP”) created as part of the Coronavirus Aid Relief and Economic Security Act (“CARES Act”) related to COVID-19 and administered by the Small Business Administration. The loan may accrue interest at 1%, but payments are not required to begin for six months after the funding of the loan. NLSLA is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

On April 20, 2020, NLSLA received a special grant award of pass thru CARES Act funding from the LSC for \$571,783. After assessing NLSLA’s 2020 and 2021 potential earnings, on May 14, 2020, NLSLA returned \$600,000 of the \$2.3 million PPP loan to East West Bank leaving an outstanding balance available to the program of \$1,706,800. NLSLA intends to spend the \$1.7 million balance in full within the 24-week allotted period and seek full loan forgiveness per the criteria and terms of the PPP loan. NLSLA has not curtailed staffing or wages and continues to hire and provide a wide range of legal services and advocacy assistance to the poor throughout Los Angeles County.

Management has evaluated subsequent events through September 24, 2020, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in these financial statements.

**SUPPLEMENTAL SCHEDULES**

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**NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY**

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS  
FOR LEGAL SERVICES CORPORATION FUNDS  
For the year ended December 31, 2019

	<b>Basic Field Grant</b>	<b>Carryover</b>	<b>LSC Pro Bono Innovation Fund Sustainability</b>	<b>LSC Pro Bono Innovation Fund Antelope Valley</b>	<b>LSC Disaster Relief</b>	<b>Property</b>	<b>Total</b>
<b>Revenue and support</b>							
Government contracts	\$ 3,784,598	\$ -	\$ 5,421	\$ 175,791	\$ 158,609	\$ -	\$ 4,124,419
Rental income	35,338						35,338
Income from investments	1,603						1,603
Attorney fees and costs	107,700						107,700
<b>Total revenue and support</b>	<b>3,929,239</b>	<b>-</b>	<b>5,421</b>	<b>175,791</b>	<b>158,609</b>	<b>-</b>	<b>4,269,060</b>
<b>Expenses</b>							
Salaries and wages	2,503,716		4,205	120,058	105,242		2,733,221
Payroll taxes and employee benefits	716,284		1,216	35,221	31,085		783,806
Total personnel costs	3,220,000	-	5,421	155,279	136,327	-	3,517,027
Occupancy	284,710						284,710
Depreciation	-					177,666	177,666
Office supplies and expense	151,987			4,953	19,284		176,224
Professional fees	111,801			206	14		112,021
Telephone	83,815			3,446	507		87,768
Travel and training	64,906			8,784	(194)		73,496
Equipment rental and maintenance	69,503			1,335	1,882		72,720
Insurance	36,489						36,489
Library maintenance	28,368			610			28,978
Litigation	25,027						25,027
Meetings and events	4,595			1,009	789		6,393
Dues and subscriptions	2,447						2,447
Miscellaneous	11,554			169			11,723
Capital purchases	270,564	423,948				(694,512)	-
<b>Total expenses</b>	<b>4,365,766</b>	<b>423,948</b>	<b>5,421</b>	<b>175,791</b>	<b>158,609</b>	<b>(516,846)</b>	<b>4,612,689</b>
<b>Change in net assets</b>	<b>(436,527)</b>	<b>(423,948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516,846</b>	<b>(343,629)</b>
<b>Recoupment of prior year unallowable LSC cost</b>	<b>94,171</b>	<b>*</b>					<b>94,171</b>
<b>Net assets, beginning of year</b>	<b>342,356</b>	<b>423,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,333,120</b>	<b>2,099,424</b>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,849,966</b>	<b>\$ 1,849,966</b>
<b>Deferred revenue, end of year</b>	<b>\$ 417,003</b>	<b>***</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 417,003</b>

\* As a result of the LSC OIG audit performed in 2019, NLSLA reclassified \$94,171 of prior year expenditures from the LSC to the Unrestricted Fund. \$83,580 related to fifty percent of 2017 and 2018 Network Management Consultant fees and was reclassified in accordance with NLSLA's new cost allocation methodology. And, \$10,591 related to unallowable fundraising expenses under the LSC basic field grant and was reclassified to the Unrestricted Fund.

\*\* In accordance with 45 CFR Section 1628, NLSLA received approval from the LSC to waive the 10% ceiling on the December 31, 2017 LSC fund balance. The LSC fund balance as of December 31, 2017 was \$867,102 and of that amount \$423,948 represents the portion in excess of 10% that was scheduled to be expended in 2018 on the new El Monte office tenant improvement project. NLSLA requested and received approval from LSC to expend the 2017 excess funds in full on the El Monte tenant improvement project by June 30, 2019, which NLSLA did.

\*\*\* In accordance with LSC Program Letter 20-4, unearned LSC basic field grant is recorded in the statement of financial position as deferred revenue. The 2019 LSC basic field grant award is \$4,201,601, of which NLSLA has recognized \$3,784,598 as revenue "with donor restrictions" in 2019 and has recorded \$417,003 as deferred revenue liability in the statement of financial position as of December 31, 2019.

See independent auditors' report.

**NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY**

SCHEDULE OF REVENUE, SUPPORT, AND EXPENSES BY GRANT

For the year ended December 31, 2019

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Foundations</u>	<u>Other</u>	<u>Plant</u>	<u>Total</u>
<b>Revenue and support</b>							
Government contracts (Note 14)	\$ 4,124,418	\$ 5,651,079	\$ 5,449,271	\$ -	\$ -	\$ -	\$ 15,224,768
Donated materials and services (Note 2)		509,346	1,207,309	183,344			1,899,999
Foundations				1,266,798	13,000		1,279,798
Attorney fees and costs	107,700				76,939		184,639
Fellowship income					142,313		142,313
Special event					108,365		108,365
Rental income	35,338				27,671		63,009
Income from investments	1,603			681	58,783		61,067
Contributions				78,450	113,219		191,669
Legal services exchanged for reduction of debt						17,881	17,881
Other revenue					127,015		127,015
<b>Total revenue and support</b>	<u>4,269,059</u>	<u>6,160,425</u>	<u>6,656,580</u>	<u>1,529,273</u>	<u>667,305</u>	<u>17,881</u>	<u>19,300,523</u>
<b>Expenses</b>							
Salaries and wages	2,733,221	2,377,708	2,942,114	887,464	540,344		9,480,851
Payroll taxes and employee benefits	783,806	709,802	869,518	261,721	161,123		2,785,970
Total personnel costs	<u>3,517,027</u>	<u>3,087,510</u>	<u>3,811,632</u>	<u>1,149,185</u>	<u>701,467</u>	<u>-</u>	<u>12,266,821</u>
Donated materials and services		509,345	1,207,310	183,344			1,899,999
Sub-grants		1,915,813	1,161,432				3,077,245
Professional fees	112,020	121,784	59,870	25,044	248,052		566,770
Occupancy	284,710	124,246	55,353	21,899	26,849		513,057
Office supplies and expense	176,225	62,309	103,436	19,596	7,990		369,556
Depreciation						245,395	245,395
Equipment rental and maintenance	72,721	36,820	35,684	16,139	11,764		173,128
Telephone	87,768	58,061	30,741	20,822	9,839		207,231
Travel and training	73,495	31,378	51,760	22,578	2,463		181,674
Dues and subscriptions	2,447	67,140	2,585	470	1,848		74,490
Special event					63,846		63,846
Miscellaneous	11,723	3,132	10,418	2,872	24,308		52,453
Insurance	36,489	19,500	11,053	3,754	12,180		82,976
Litigation	25,027	16,130	3,437	4,241	4		48,839
Meetings and events	6,392	6,047	2,562	1,809	39,705		56,515
Library maintenance	28,978	10,525	5,968	3,026	90		48,587
Capital purchases	694,512	123,662			127,000	(945,174)	-
<b>Total expenses</b>	<u>5,129,534</u>	<u>6,193,402</u>	<u>6,553,241</u>	<u>1,474,779</u>	<u>1,277,405</u>	<u>(699,779)</u>	<u>19,928,582</u>
Recoupment of prior year unallowable LSC cost	(94,171)	-	-	-	94,171	-	-
<b>Revenue and support over (under) expenses</b>	<u>\$ (766,304)</u>	<u>\$ (32,977)</u>	<u>\$ 103,339</u>	<u>\$ 54,494</u>	<u>\$ (704,271)</u>	<u>\$ 717,660</u>	<u>\$ (628,059)</u>

See independent auditors' report.