

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL SCHEDULES**

DECEMBER 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, 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, 2020 and 2019, 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

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 April 28, 2021, 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

April 28, 2021

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,558,620	\$ 682,025
Client trust deposits (Note 2)	<u>776,745</u>	<u>583,070</u>
Total cash	2,335,365	1,265,095
Grants and other receivables, net (Note 2)	4,479,198	4,110,915
Pledges receivable, net (Note 4)	17,168	39,128
Prepaid expenses and deposits	129,981	121,601
Investments (Note 5)	6,010,407	2,491,407
Property and equipment (Note 6)	<u>2,512,455</u>	<u>2,779,700</u>
 TOTAL ASSETS	 <u>\$ 15,484,574</u>	 <u>\$ 10,807,846</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,850,765	\$ 1,637,851
Accrued liabilities (Note 7)	1,496,433	1,133,593
Accrued unemployment liability (Note 8)	186,817	153,978
Deferred revenue	1,971,398	1,205,453
Deferred revenue - LSC basic field grant (Note 2)	2,191,132	417,003
Line of credit (Note 9)	-	-
Notes payable (Note 10)	8,589	17,861
Paycheck protection program loan (Note 11)	<u>1,706,800</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>9,411,934</u>	 <u>4,565,739</u>
 NET ASSETS		
Without donor restrictions	4,698,279	5,890,019
Without donor restrictions - board designated (Note 13)	1,044,977	-
With donor restrictions (Note 13)	<u>329,384</u>	<u>352,088</u>
 TOTAL NET ASSETS	 <u>6,072,640</u>	 <u>6,242,107</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 15,484,574</u>	 <u>\$ 10,807,846</u>

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, 2020 and 2019

	December 31, 2020			December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government contracts (Note 15)	\$ 12,801,233	\$ 3,485,663	\$ 16,286,896	\$ 11,100,349	\$ 4,124,419	\$ 15,224,768
Contributions	1,309,530	50,898	1,360,428	87,732	103,937	191,669
Donated materials and services (Note 2)	967,932		967,932	1,899,999		1,899,999
Foundations	699,887		699,887	1,279,798		1,279,798
Attorney fees and costs	538,085		538,085	184,639		184,639
Fellowship income	134,519		134,519	142,313		142,313
Rental income	64,586		64,586	63,009		63,009
Income from investments	21,782		21,782	61,067		61,067
Legal services exchanged for reduction of debt	9,272		9,272	17,881		17,881
Other revenue	6,754		6,754	127,015		127,015
Special event			-	108,365		108,365
Net assets released from restrictions (Note 13)	3,559,265	(3,559,265)	-	4,914,679	(4,914,679)	-
TOTAL REVENUE AND SUPPORT	<u>20,112,845</u>	<u>(22,704)</u>	<u>20,090,141</u>	<u>19,986,846</u>	<u>(686,323)</u>	<u>19,300,523</u>
EXPENSES						
Program services	17,784,026		17,784,026	17,146,586		17,146,586
Management and general	2,113,398		2,113,398	2,247,915		2,247,915
Fundraising	362,184		362,184	534,081		534,081
TOTAL EXPENSES	<u>20,259,608</u>	<u>-</u>	<u>20,259,608</u>	<u>19,928,582</u>	<u>-</u>	<u>19,928,582</u>
CHANGE IN NET ASSETS	<u>(146,763)</u>	<u>(22,704)</u>	<u>(169,467)</u>	<u>58,264</u>	<u>(686,323)</u>	<u>(628,059)</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,890,019</u>	<u>352,088</u>	<u>6,242,107</u>	<u>5,831,755</u>	<u>1,038,411</u>	<u>6,870,166</u>
NET ASSETS, END OF YEAR	<u>\$ 5,743,256</u>	<u>\$ 329,384</u>	<u>\$ 6,072,640</u>	<u>\$ 5,890,019</u>	<u>\$ 352,088</u>	<u>\$ 6,242,107</u>

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, 2020

	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	\$ 3,581,867	\$ 1,641,949	\$ 741,140	\$ 886,951	\$ 359,863	\$ 839,566	\$ 336,541	\$ 117,234	\$ 281,251	\$ 8,786,362	\$ 1,350,561	\$ 183,436	\$ 10,320,359
Payroll taxes and employee benefits	1,244,509	422,414	213,181	233,746	97,291	216,251	85,618	28,357	73,736	2,615,103	388,648	51,949	3,055,700
Total personnel costs	4,826,376	2,064,363	954,321	1,120,697	457,154	1,055,817	422,159	145,591	354,987	11,401,465	1,739,209	235,385	13,376,059
Sub-grants		1,670,019	735,092	78,435	934,839					3,418,385			3,418,385
Donated materials and services (Note 2)	370,148	53,703	287,516	44,000		210,262	165	2,138		967,932			967,932
Professional fees	230,959	7,380	5,021	1,598	23,300	(1,064)	4,756	288	18,954	291,192	107,294	79,774	478,260
Occupancy	249,622	41,620		15,327	11,512	19,577	6,096		3,577	347,331	46,074	8,283	401,688
Office supplies and expense	149,089	50,449	19,987	5,318	8,748	10,286	3,075	1,408	73,414	321,774	31,604	12,250	365,628
Depreciation	199,989	13,311								213,300	77,521		290,821
Telephone	124,314	25,893	4,495	7,100	11,884	9,957	3,872	595	24,049	212,159	16,163	4,599	232,921
Direct client assistance		113,250				68,780				182,030			182,030
Equipment rental and maintenance	52,173	17,615	5,577	8,599	7,211	8,497	2,665		12,614	114,951	46,507	12,211	173,669
Insurance	41,524	13,714	426	5,504	3,695	5,689	2,181		1,161	73,894	9,324	2,076	85,294
Travel and training	35,357	12,560	3,062	3,347	1,118	1,543	2,653	267	762	60,669	13,199	778	74,646
Dues and subscriptions	64,727	3,946								68,673	4,966	510	74,149
Miscellaneous	30,772	2,580	173	95	764	234	785	169	641	36,213	20,083	6,193	62,489
Library maintenance	28,198	9,131		3,332	2,425	3,410	1,320		714	48,530	386		48,916
Litigation	4,702	7,534	102	782	7	(243)	1,430	75	191	14,580	19		14,599
Meetings and events	9,660	387		20	406		413		62	10,948	1,049	125	12,122
Special event													-
TOTAL FUNCTIONAL EXPENSES	\$ 6,417,610	\$ 4,107,455	\$ 2,015,772	\$ 1,294,154	\$ 1,463,063	\$ 1,392,745	\$ 451,570	\$ 150,531	\$ 491,126	\$ 17,784,026	\$ 2,113,398	\$ 362,184	\$ 20,259,608

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

continued

	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
Direct client assistance													-
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
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
Dues and subscriptions	65,224	1,630	125	41						67,020	7,120	350	74,490
Miscellaneous	17,158	4,500	380	1,627	4,223	143	417	147		28,595	14,728	9,130	52,453
Library maintenance	28,926	5,937	100	5,538	819	2,265	1,459		222	45,266	3,321		48,587
Litigation	28,605	4,942		4,804	142	4,227	5,081	756	212	48,769	70		48,839
Meetings and events	28,387	1,113	251	1,112	117	150	1,646	(24)	809	33,561	11,094	11,860	56,515
Special event												63,846	63,846
TOTAL FUNCTIONAL EXPENSES	\$ 5,429,026	\$ 3,509,477	\$ 3,056,737	\$ 1,995,878	\$ 732,955	\$ 1,438,454	\$ 576,319	\$ 188,652	\$ 219,088	\$ 17,146,586	\$ 2,247,915	\$ 534,081	\$ 19,928,582

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (169,467)	\$ (628,059)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Legal services exchanged for reduction of debt	(9,272)	(17,881)
Depreciation	290,821	245,395
Interest and dividends reinvested	(48,366)	(52,910)
Loss (gain) on investments	26,584	(8,157)
(Increase) decrease in operating assets:		
Grants receivable	(368,283)	(1,237,655)
Pledges receivable	21,960	(20,598)
Prepaid expenses and deposits	(8,380)	(16,294)
Increase (decrease) in operating liabilities:		
Accounts payable	212,914	357,000
Accrued liabilities	362,840	585,492
Accrued unemployment liability	32,839	(3,967)
Deferred revenue	765,945	469,290
Deferred revenue - LSC	<u>1,774,129</u>	<u>417,003</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>2,884,264</u>	 <u>88,659</u>
 CASH FLOWS (TO) FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,437,000	2,822,373
Purchase of investments	(4,934,218)	(1,442,766)
Purchase of property and equipment	<u>(23,576)</u>	<u>(945,174)</u>
 NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	 <u>(3,520,794)</u>	 <u>434,433</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	<u>1,706,800</u>	<u>-</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>1,706,800</u>	 <u>-</u>
 NET INCREASE IN CASH	 1,070,270	 523,092
 CASH, BEGINNING OF YEAR	 <u>1,265,095</u>	 <u>742,003</u>
 CASH, END OF YEAR	 <u>\$ 2,335,365</u>	 <u>\$ 1,265,095</u>
 NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Repayment of notes payable by providing legal and other services:	<u>\$ 9,272</u>	<u>\$ 17,881</u>

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

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

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 a deferred revenue. The 2020 LSC Basic Field grant award is \$4,446,740, of which NLSLA has recognized \$2,255,608 as revenue “with donor restrictions” in 2020 and has recorded \$2,191,132 as deferred revenue liability in the statement of financial position as of December 31, 2020. The \$2,672,612 of LSC grant revenue reported in Note 15 includes prior year’s LSC deferred revenue of \$417,003.

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 in the amount of \$1,044,977.

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 and foundations. An allowance for doubtful accounts for \$26,757 has been provided for grants receivable that are deemed uncollectible.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

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 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, 2020 and 2019 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 81% and 79% of NLSLA's total revenue was derived from government contracts for the years ended December 31, 2020 and 2019, respectively. Additionally, for the years ended December 31, 2020 and 2019, revenue from one government funding source was approximately 18% and 22% of total revenue, respectively.

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. 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.

The provision for depreciation or amortization is computed using the straight-line method over the estimated useful lives of the related assets, and are as follows:

Building	18 to 27 years
Building improvements	5 to 27 years
Furniture	5 to 7 years
Equipment	3 to 10 years
Computer hardware	3 to 5 years
Computer software	3 to 5 years

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 \$967,932 and \$1,899,999 for the years ended December 31, 2020 and 2019, respectively.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2020 and 2019, clients' trust deposits of \$776,745 and \$583,070, 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.

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.

Subsequent Events

Management has evaluated subsequent events through April 28, 2021, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in these financial statements.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 \$4,800,000. NLSLA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of December 31, 2020, NLSLA has \$11,736,009 of financial assets available within one year of the statement of financial position date to meet general expenditures, consisting of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,558,620	\$ 682,025
Grants and other receivables	4,479,198	4,110,915
Pledges receivable	17,168	39,128
Investments	<u>6,010,407</u>	<u>2,491,407</u>
	12,065,393	7,323,475
Less: Net assets with purpose restrictions	<u>(329,384)</u>	<u>(352,088)</u>
	<u>\$11,736,009</u>	<u>\$6,971,387</u>

None of the financial assets are subject to donor or other contractual restrictions that would make them unavailable for general expenditures within one year of the statement of financial position 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, 2020 and 2019.

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 further 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, 2020. 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, 2020 and 2019 was \$10,000 and \$36,757, respectively. Total pledges receivable at December 31, 2020 and 2019 of \$17,168 and \$39,128, respectively, are expected to be collected within one year and are as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable, gross	\$27,168	\$75,885
Less: allowance for doubtful accounts	<u>10,000</u>	<u>36,757</u>
Pledge receivable, net	<u>\$17,168</u>	<u>\$39,128</u>

5. Investments

Investments at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$4,772,018	\$1,744,748
Money market	<u>1,238,389</u>	<u>746,659</u>
	<u>\$6,010,407</u>	<u>\$2,491,407</u>

6. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consist of the following:

<u>December 31, 2020</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,841,063	1,874,760	3,715,823
Building	1,666,294	219,020	1,885,314
Equipment	167,707		167,707
Furniture	245,306	70,902	316,208
Computer software	105,650	7,500	113,150
Computer hardware	40,621		40,621
	4,178,489	2,310,147	6,488,636
Less: accumulated depreciation	<u>(2,514,157)</u>	<u>(1,462,024)</u>	<u>(3,976,181)</u>
	<u>\$ 1,664,332</u>	<u>\$ 848,123</u>	<u>\$ 2,512,455</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment, continued

<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>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$290,821 and \$245,395, respectively.

7. Accrued Liabilities

Accrued liabilities at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued vacation	\$ 596,141	\$ 431,503
Clients' trust deposits (Note 2)	776,745	583,070
Other liabilities	<u>123,547</u>	<u>119,020</u>
	<u>\$1,496,433</u>	<u>\$1,133,593</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, 2020 and 2019, of \$186,817 and \$153,978, respectively, represents estimated future claims arising from payroll paid through those year ends. Unemployment expense for the years ended December 31, 2020 and 2019 was \$18,582 and \$9,770, respectively.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 July 13, 2021. There was no outstanding balance at December 31, 2020 and 2019.

10. Notes Payable

Notes payable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</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. The note was fully satisfied during the current fiscal year ending December 31, 2020.	\$ -	\$ 5,527
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>8,589</u>	<u>12,334</u>
	<u>\$8,589</u>	<u>\$17,861</u>

Maturities for notes payable are as follows:

<u>Year ending December 31,</u>	
2021	\$5,481
2022	<u>3,108</u>
	<u>\$8,589</u>

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

11. Paycheck Protection Program Loan

In April 2020, NLSLA received loan proceeds in the amount of \$2,306,800 under the Small Business Association (SBA) Paycheck Protection Program (PPP). After assessing NLSLA's 2020 and 2021 potential earnings, on May 14, 2020, NLSLA returned \$600,000 of the PPP loan leaving an outstanding balance available to the program of \$1,706,800.

The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are potentially forgivable after a period of up to twenty-four weeks (the covered period) after the date of funding as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness may be reduced if the recipient terminates employees or reduces salaries during the cover period.

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the SBA remits the recipient's forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient's forgiveness covered period. NLSLA is uncertain as to the extent, if any, that the loan proceeds will meet all of the conditions for forgiveness of the loan.

12. 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>	
2021	\$ 319,396
2022	325,708
2023	325,138
2024	290,116
2025	220,932
Thereafter	<u>810,084</u>
	<u>\$2,291,374</u>

Rent and equipment lease expense under operating leases for the years ended December 31, 2020 and 2019 was \$312,730 and \$332,007, respectively.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies, continued

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 and, accordingly, NLSLA has no provisions for the possible disallowance of program costs on its financial statements.

Impact of COVID-19 Virus

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, 2020; it closed its doors to the public on Friday, March 13, 2020 per government mandates, and implemented remote operations the week of Monday, March 16, 2020. On Friday, March 20, 2020, 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, 2020.

NLSLA continues to operate under these "Safe at Home" orders and 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 continues to carefully monitor the situation, prepare the offices for re-opening, and evaluate options and deliverables during this time. No adjustments have been made to these financial statements because of this uncertainty.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Health advocacy fund	\$239,140	\$215,696
Other	<u>90,244</u>	<u>136,392</u>
	<u>\$329,384</u>	<u>\$352,088</u>

For the years ended December 31, 2020 and 2019, net assets released from purpose restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restriction:		
Legal services	\$3,526,321	\$4,890,722
Health advocacy fund	-	23,957
Other	<u>32,944</u>	<u>-</u>
	<u>\$3,559,265</u>	<u>\$4,914,679</u>

In 2020, the NLSLA Board of Directors designated \$1,044,977 to the San Fernando Valley Justice Center capital campaign fund to be used in any manner for the building of a new NLSLA office in Pacoima.

14. Fair Value Measurements

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$967,932	\$ -	\$ 967,932
Pledged contributions - new	<u>-</u>	<u>-</u>	<u>41,809</u>	<u>41,809</u>
	<u>\$ -</u>	<u>\$967,932</u>	<u>\$41,809</u>	<u>\$1,009,741</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).

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	<u>-</u>	<u>-</u>	<u>63,675</u>	<u>63,675</u>
	<u>\$ -</u>	<u>\$1,899,999</u>	<u>\$63,675</u>	<u>\$1,963,674</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

15. Government Contracts

Government contracts for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Legal Services Corporation	\$ 2,672,612	\$ 3,784,598
Shriver Housing Project – Los Angeles	2,498,443	2,351,991
County of Los Angeles – Self Help Centers	1,650,993	2,265,358
LAC DHS MLCP - Whole Person Care	1,438,236	615,632
Interest on Lawyers Trust Account	1,299,080	777,110
LAHSA Homelessness	902,500	941,969
County of Los Angeles – CalWORKs DVSS	872,357	854,656
DMHC Consumer Assistance Program	601,223	604,575
Equal Access to Justice	597,852	648,650
LSTF – EAF Homelessness	584,600	8,799
LSC – Disaster Relief	409,020	158,609
DMHC CCI	320,546	266,329
MHSA Innovation	266,707	228,812
LSC – Covid-19	261,692	-
California Office of Emergency Services – Victims of Crime Act	243,254	257,620
Covered California	177,692	177,691
LSTF - JAAVA	173,500	230,000
Impact-City of LA Reentry	163,324	208,150
California Office of Emergency Services – Family Justice Center	157,351	8,314
Equal Access Partnership	125,000	180,000
LACDA Emergency Rental Assistance	124,575	-
LSC – Pro Bono Innovation Fund	117,339	181,212
LA CARE Homelessness	103,197	1,803
Equal Access Partnership – Shriver SH	90,000	140,000
Liberty Hill - Emergency Eviction Prevention - Counsel & Advise	72,000	-
County of Los Angeles – CSBG BUILD	53,117	84,257
California Office of Emergency Services – COVID DV Assistance	52,500	-
El Monte Mobile Home Park	45,942	44,270
DVSS CARES	45,675	-
Unaccompanied Minors	44,500	-
Children’s Outreach Enrollment Utilization and Retention Training Grant	31,022	43,475
LSC 2020 CARES Technology Capacity	25,000	-
Liberty Hill - Eviction Defense Program - Extended Services	18,839	-
City of Pomona - Clinics	17,041	-
LACDA US Treasury Rental Relief	16,847	-
County of Los Angeles - DPH-DV-Substance Abuse Disorder	13,320	71,738
Pomona Self-Help Center Access to Justice Intern Project	-	70,375
Measure H	-	18,775
	<u>\$16,286,896</u>	<u>\$15,224,768</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

16. 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 \$537,605 in 2020 and \$503,645 in 2019, respectively.

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, 2020 are summarized as follows:

Support:	
LSC basic grant	\$4,446,740
	<u> x 12.5%</u>
PAI requirement	555,843
Less: LSC approved waiver of \$100,000	<u>(100,000)*</u>
Adjusted PAI requirement	<u>\$ 455,843</u>
Expenses:	
Personnel salaries:	
Lawyers, paralegals, clerical, and administrative staff	\$348,996
Employee benefits	103,338
Office expense	10,944
Occupancy	12,093
Professional fees	6,525
Equipment rental and maintenance	5,214
Telephone	6,984
Travel and training	180
Insurance	2,562
Library maintenance	1,463
Delivery	166
Litigation	95
Meeting and events	1
Dues and subscriptions	1
Other	<u>180</u>
	<u>\$498,742</u>
Net PAI expenses (over) the requirement threshold	<u>\$ (42,899)</u>

*NLSLA received approval from LSC for a partial PAI waiver for the current fiscal year.

SUPPLEMENTAL SCHEDULES

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, 2020

	Basic Field Grant	Carryover	LSC Pro Bono Innovation Fund Antelope Valley	LSC Disaster Relief Creek Fire	LSC Disaster Relief Woolsey	LSC 2020 COVID-19 Supplemental	LSC 2020 Telework Capacity	Property	Total
Revenue and support									
Government contracts	\$ 2,672,612	\$ -	\$ 117,339	\$ 292,761	\$ 116,259	\$ 261,692	\$ 25,000	\$ -	\$ 3,485,663
Rental income	36,292								36,292
Income from investments	11,935					4,434			16,369
Attorney fees and costs	13,028		1,342						14,370
Total revenue and support	2,733,867	-	118,681	292,761	116,259	266,126	25,000	-	3,552,694
Expenses									
Salaries and wages	1,621,088		91,238	131,331	89,232	179,342			2,112,231
Payroll taxes and employee benefits	607,370		22,783	33,883	22,702	47,217			733,955
Total personnel costs	2,228,458	-	114,021	165,214	111,934	226,559	-	-	2,846,186
Depreciation								209,207	209,207
Professional fees	127,985		623	21,376		17,034			167,018
Office supplies and expense	44,601		1,160	70,999	2,013	2,691	24,797		146,261
Occupancy	119,028			1,028		5,718			125,774
Telephone	47,464		199	21,051	1,674	5,353			75,741
Equipment rental and maintenance	46,629			12,071	592	3,437	203		62,932
Insurance	31,125			(28)		1,653			32,750
Travel and training	26,734		2,003	530	46	633			29,946
Library maintenance	20,705					916			21,621
Dues and subscriptions	9,802			9		14			9,825
Miscellaneous	6,083		494	451		2,107			9,135
Meetings and events	2,807		76	60		9			2,952
Capital purchases	23,576							(23,576)	-
Litigation	(1,130)		105			2			(1,023)
Total expenses	2,733,867	-	118,681	292,761	116,259	266,126	25,000	185,631	3,738,325
Change in net assets	-	-	-	-	-	-	-	(185,631)	(185,631)
Net assets, beginning of year	-	-	-	-	-	-	-	1,849,966	1,849,966
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,664,335	\$ 1,664,335
Deferred revenue, end of year	\$ 2,191,132	\$ -	\$ -	\$ -	\$ 108,771	\$ 310,091	\$ -	\$ -	\$ 2,609,994

* 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 2020 LSC basic field grant award is \$4,446,740, of which NLSLA has recognized \$2,255,608 as revenue "with donor restrictions" in 2020 and has recorded \$2,191,132 as deferred revenue liability in the statement of financial position as of December 31, 2020. The \$2,672,612 of LSC grant revenue reported above includes prior year's LSC deferred revenue of \$417,003.

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, 2020

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Foundations</u>	<u>Other</u>	<u>Plant</u>	<u>Total</u>
Revenue and support							
Government contracts (Note 15)	\$ 3,485,663	\$ 6,965,540	\$ 5,835,693	\$ -	\$ -	\$ -	\$ 16,286,896
Donated materials and services (Note 2)		370,313	551,481	46,138			967,932
Foundations				646,707	53,180		699,887
Attorney fees and costs	14,371				523,714		538,085
Fellowship income					134,519		134,519
Rental income	36,292				28,294		64,586
Income from investments	16,368			3,041	2,373		21,782
Contributions				23,443	1,336,985		1,360,428
Legal services exchanged for reduction of debt						9,272	9,272
Other revenue					6,754		6,754
Total revenue and support	<u>3,552,694</u>	<u>7,335,853</u>	<u>6,387,174</u>	<u>719,329</u>	<u>2,085,819</u>	<u>9,272</u>	<u>20,090,141</u>
Expenses							
Salaries and wages	3,234,425	3,384,627	2,829,385	472,113	399,809		10,320,359
Payroll taxes and employee benefits	1,202,844	894,830	755,138	128,333	74,555		3,055,700
Total personnel costs	<u>4,437,269</u>	<u>4,279,457</u>	<u>3,584,523</u>	<u>600,446</u>	<u>474,364</u>	<u>-</u>	<u>13,376,059</u>
Donated materials and services		370,313	551,481	46,138			967,932
Sub-grants		1,748,454	1,669,931				3,418,385
Professional fees	167,019	175,039	77,993	8,446	49,763		478,260
Occupancy	186,785	119,856	73,427	9,476	12,144		401,688
Office supplies and expense	146,261	139,040	71,487	5,745	3,095		365,628
Depreciation						290,821	290,821
Equipment rental and maintenance	62,930	57,510	43,104	5,593	4,532		173,669
Telephone	130,448	50,484	34,940	9,515	7,534		232,921
Travel and training	29,946	26,638	12,166	4,953	943		74,646
Dues and subscriptions	9,825	60,548	3,416	118	242		74,149
Special event							-
Miscellaneous	22,068	6,745	4,969	853	27,854		62,489
Insurance	32,750	29,973	17,974	2,504	2,093		85,294
Litigation	(1,023)	11,193	2,787	896	746		14,599
Meetings and events	2,953	3,226	1,139	48	4,756		12,122
Library maintenance	21,621	15,827	9,703	1,201	564		48,916
Direct client assistance		43,780	138,250				182,030
Capital purchases	23,576					(23,576)	-
Total expenses	<u>5,272,428</u>	<u>7,138,083</u>	<u>6,297,290</u>	<u>695,932</u>	<u>588,630</u>	<u>267,245</u>	<u>20,259,608</u>
Revenue and support over (under) expenses	<u>\$ (1,719,734)</u>	<u>\$ 197,770</u>	<u>\$ 89,884</u>	<u>\$ 23,397</u>	<u>\$ 1,497,189</u>	<u>\$ (257,973)</u>	<u>\$ (169,467)</u>

See independent auditors' report.