



**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Legal Services of Los Angeles County as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Neighborhood Legal Services of Los Angeles County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Neighborhood Legal Services of Los Angeles County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Legal Services of Los Angeles County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Neighborhood Legal Services of Los Angeles County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other 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.

Report on Summarized Comparative Information

We have previously audited Neighborhood Legal Services of Los Angeles County's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, 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 27, 2023

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 3,042,216	\$ 880,509
Clients' trust deposits (Note 2)	1,084,466	1,007,073
Total cash	4,126,682	1,887,582
Grants and other receivables	4,341,561	5,728,194
Pledges receivable, net (Note 4)	3,185	3,633
Prepaid expenses and deposits	179,349	162,180
Investments (Note 5)	5,017,967	6,265,711
Property and equipment (Note 6)	2,133,823	2,390,142
Right of use assets (Note 10)	954,786	-
	\$ 16,757,353	\$ 16,437,442
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,555,051	\$ 2,359,104
Accrued liabilities (Note 7)	1,865,573	1,761,679
Accrued unemployment liability (Note 8)	155,207	190,031
Deferred revenue	1,607,896	2,009,567
Deferred revenue - LSC basic field grant (Note 2)	2,010,152	1,999,322
Line of credit (Note 9)	-	-
Lease liability - operating leases (Note 10)	975,913	-
	8,169,792	8,319,703
 NET ASSETS		
Without donor restrictions	7,072,991	6,624,586
Without donor restrictions-board designated (Note 12)	1,044,977	1,044,977
With donor restrictions (Note 12)	469,593	448,176
	8,587,561	8,117,739
	\$ 16,757,353	\$ 16,437,442

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, 2022 and 2021

	December 31, 2022			December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government contracts (Note 15)	\$ 17,145,172	\$ 4,815,078	\$ 21,960,250	\$ 14,220,612	\$ 5,541,875	\$ 19,762,487
Foundations	2,028,457		2,028,457	1,777,408		1,777,408
Donated materials and services (Note 2)	1,602,146		1,602,146	789,681		789,681
Contributions	728,308	214,683	942,991	321,209	278,235	599,444
Special events	161,510		161,510	190,777		190,777
Attorney fees and costs	133,272		133,272	489,854		489,854
Fellowship income	107,094		107,094	56,381		56,381
Rental income	67,856		67,856	45,748		45,748
Other revenue	14,062		14,062	2,500		2,500
Legal services exchanged for reduction of debt	-		-	8,589		8,589
Income from investments	5,167		5,167	1,540		1,540
Net assets released from restrictions (Note 12)	5,008,344	(5,008,344)	-	5,701,318	(5,701,318)	-
TOTAL REVENUE AND SUPPORT	27,001,388	21,417	27,022,805	23,605,617	118,792	23,724,409
Program services	23,511,004		23,511,004	20,482,657		20,482,657
Management and general	2,398,557		2,398,557	2,418,852		2,418,852
Fundraising	643,422		643,422	497,535		497,535
TOTAL EXPENSES	26,552,983	-	26,552,983	23,399,044	-	23,399,044
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	448,405	21,417	469,822	206,573	118,792	325,365
OTHER CHANGES						
Forgiveness of paycheck protection program loan	-		-	1,719,734		1,719,734
CHANGE IN NET ASSETS	448,405	21,417	469,822	1,926,307	118,792	2,045,099
NET ASSETS, BEGINNING OF YEAR	7,669,563	448,176	8,117,739	5,743,256	329,384	6,072,640
NET ASSETS, END OF YEAR	\$ 8,117,968	\$ 469,593	\$ 8,587,561	\$ 7,669,563	\$ 448,176	\$ 8,117,739

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, 2022

	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	Clean Slate Initiative	Disaster Relief				
Salaries and wages	\$ 4,441,473	\$ 2,287,924	\$ 1,432,427	\$ 1,032,060	\$ 879,790	\$ 814,080	\$ 276,934	\$ 150,027	\$ 11,314,715	\$ 1,576,706	\$ 246,445	\$ 13,137,866
Payroll taxes and employee benefits	1,201,023	661,323	414,083	299,700	253,632	239,438	80,541	43,790	3,193,530	513,132	71,617	3,778,279
Total personnel costs	5,642,496	2,949,247	1,846,510	1,331,760	1,133,422	1,053,518	357,475	193,817	14,508,245	2,089,838	318,062	16,916,145
Sub-grants	962,438	2,141,847	1,014,190	128,523	920,288				5,167,286			5,167,286
Donated materials and services (Note 2)	988,132	240,268	99,809	181,663		66,474	25,800		1,602,146			1,602,146
Professional fees	362,218	9,628	13,250	2,284	6,535	2,298	16	13,645	409,874	58,742	149,875	618,491
Occupancy	277,284	76,838	19,785	30,058	19,988	25,026	7,517	341	456,837	60,188	7,854	524,879
Office supplies and expense	168,286	46,635	39,754	5,040	5,531	9,075	1,157	246	275,724	24,195	8,166	308,085
Depreciation	189,783	10,812							200,595	73,824		274,419
Telephone	128,188	43,998	27,573	14,660	12,819	12,437	4,255	1,143	245,073	2,240	5,288	252,601
Software leases and equipment rental	75,619	23,968	14,445	9,442	9,241	8,057	2,257	695	143,724	46,968	7,642	198,334
Special events									-		129,839	129,839
Travel and training	66,148	13,140	1,158	787	674	3,248	2,608		87,763	21,291	2,311	111,365
Insurance	41,122	19,157	9,148	6,931	4,314	6,709	1,608	75	89,064	13,204	1,717	103,985
Dues and subscriptions	84,450	3,695	699		45			200	89,089	1,308	170	90,567
Miscellaneous	39,315	2,905	1,168	179	520	218	151	35	44,491	5,761	11,130	61,382
Library maintenance	23,969	12,516	6,477	4,469	2,829	2,583	1,174	50	54,067			54,067
Meetings and events	27,329	446	172	200		410		19,166	47,723	998	1,368	50,089
Litigation	31,343	12,393	339	577	158	2,351	444		47,605			47,605
Direct client assistance	28,936					12,762			41,698			41,698
TOTAL FUNCTIONAL EXPENSES	\$ 9,137,056	\$ 5,607,493	\$ 3,094,477	\$ 1,716,573	\$ 2,116,364	\$ 1,205,166	\$ 404,462	\$ 229,413	\$ 23,511,004	\$ 2,398,557	\$ 643,422	\$ 26,552,983

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, 2021
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	\$ 4,049,956	\$ 1,765,223	\$ 1,150,450	\$ 1,179,813	\$ 616,788	\$ 837,690	\$ 268,517	\$ 108,532	\$ 290,357	\$ 10,267,326	\$ 1,540,641	\$ 219,210	\$ 12,027,177
Payroll taxes and employee benefits	1,082,477	519,286	334,784	344,598	182,182	246,966	78,695	32,044	86,022	2,907,054	514,256	64,156	3,485,466
Total personnel costs	5,132,433	2,284,509	1,485,234	1,524,411	798,970	1,084,656	347,212	140,576	376,379	13,174,380	2,054,897	283,366	15,512,643
Sub-grants	334,069	2,452,903	976,922	77,318	871,388					4,712,600			4,712,600
Donated materials and services (Note 2)	255,002	94,446	116,980	176,300	34,500	69,353	2,700	40,400		789,681			789,681
Professional fees	216,358	8,606	7,848	6,406	8,281	2,383		(461)	4,567	253,988	89,863	101,179	445,030
Occupancy	260,876	49,933	1,250	28,957	17,120	21,777	5,589		3,265	388,767	62,206	5,867	456,840
Office supplies and expense	119,599	16,370	7,184	8,224	7,985	7,987	3,197	141	15,778	186,465	14,506	15,286	216,257
Depreciation	178,732	11,228								189,960	74,192		264,152
Telephone	117,219	30,866	7,949	10,986	12,644	10,651	2,103	535	12,726	205,679	18,415	5,123	229,217
Software leases and equipment rental	69,462	17,145	9,958	11,948	7,087	9,012	1,678	(519)	3,548	129,319	67,714	8,984	206,017
Special events												60,882	60,882
Travel and training	15,967	2,324	870	796	1,064	2,488	389	(24)	694	24,568	16,001	1,276	41,845
Insurance	45,608	14,642	779	7,857	4,322	6,102	1,696		995	82,001	11,695	1,463	95,159
Dues and subscriptions	84,649	4,543	400						272	89,864	1,902	1,217	92,983
Miscellaneous	35,864	3,687	445	297	917	12	170		78	41,470	7,437	12,682	61,589
Library maintenance	30,992	8,651	117	4,242	2,892	2,879	891		547	51,211			51,211
Meetings and events	9,915		125	100		(150)			279	10,269	24	210	10,503
Litigation	25,018	11,240	407	2,388	(378)	3,598	4	(363)	91	42,005			42,005
Direct client assistance	45,962					64,468				110,430			110,430
TOTAL FUNCTIONAL EXPENSES	\$ 6,977,725	\$ 5,011,093	\$ 2,616,468	\$ 1,860,230	\$ 1,766,792	\$ 1,285,216	\$ 365,629	\$ 180,285	\$ 419,219	\$ 20,482,657	\$ 2,418,852	\$ 497,535	\$ 23,399,044

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ 469,822	\$ 2,045,099
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Legal services exchanged for reduction of debt	-	(8,589)
Depreciation	274,419	264,152
Interest and dividends reinvested	(77,203)	(62,372)
Loss on investments	72,036	60,832
Forgiveness of paycheck protection program loan	-	(1,719,734)
(Increase) decrease in operating assets:		
Grants receivable	1,386,633	(1,248,996)
Pledges receivable	448	13,535
Prepaid expenses and deposits	(17,169)	(32,199)
Increase (decrease) in operating liabilities:		
Accounts payable	(804,053)	508,339
Accrued liabilities	103,894	265,246
Accrued unemployment liability	(34,824)	3,214
Deferred revenue	(401,671)	38,169
Deferred revenue - LSC	10,830	(191,810)
Operating lease liability	21,127	-
	<u>1,004,289</u>	<u>(65,114)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,419,000	3,812,000
Purchase of investments	(2,166,089)	(4,052,830)
Purchase of property and equipment	(18,100)	(141,839)
	<u>1,234,811</u>	<u>(382,669)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	2,239,100	(447,783)
CASH, BEGINNING OF YEAR	<u>1,887,582</u>	<u>2,335,365</u>
CASH, END OF YEAR	<u>\$ 4,126,682</u>	<u>\$ 1,887,582</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Repayment of notes payable by providing legal and other services	\$ -	\$ 8,589
Right-of-use assets upon adoption of ASC 842 - office space	<u>\$ 947,663</u>	<u>\$ -</u>
Right-of-use assets upon adoption of ASC 842 - copiers	<u>\$ 300,389</u>	<u>\$ -</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.

Following the State of California COVID-19 protocols, NLSLA has been conducting business activities under the consideration of the social distancing and remote work opportunities. NLSLA continues to work in a hybrid office work environment in 2022.

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.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 2022 LSC basic field grant award is \$4,697,790, of which NLSLA has recognized \$3,687,638 as revenue “with donor restrictions” in 2022. Total LSC deferred revenue at December 31, 2022 is reported as \$2,010,152 representing \$1,010,152 of 2022 LSC Basic Field Grant Award and \$1,000,000 of 2021 LSC Basic Field Grant Award.

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

continued

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 (loss) on investments. Short-term highly liquid money market deposits and certificate of deposits that are not used for operations are treated as investments.

NLSLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that change in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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, 2022 and 2021 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 83% of NLSLA's total revenue was derived from government contracts for the years ended December 31, 2022 and 2021, respectively. Additionally, for the years ended December 31, 2022 and 2021, revenue from one government funding source was approximately 18% and 23% 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 \$1,602,146 and \$789,681 for the years ended December 31, 2022 and 2021, respectively. There were no donor-imposed restrictions on the donated services and were used entirely for program services and shown on the statement of functional expenses.

continued

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, 2022 and 2021, clients' trust deposits of \$1,084,466 and \$1,007,073, respectively, were included in cash.

Recently Adopted Accounting Pronouncements

NLSLA adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements effective January 1, 2022. NLSLA elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, NLSLA recognized right-of-use assets of \$1,248,051 and lease liabilities totaling \$1,248,051 in its Statement of Financial Position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. NLSLA's financial statements for the year ended December 31, 2022 are presented in accordance with ASU 2020-07.

Leases

NLSLA applies Accounting Standards Codification ("ASC") 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in excess of twelve months in exchange for consideration. NLSLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. NLSLA further determines all the existing leases are operating leases, which are included in right-of-use (ROU) assets and lease liabilities in the Statement of Financial Position.

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

ROU assets represent NLSLA's right to use leased assets over the term of the lease. Lease liabilities represent NLSLA's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. NLSLA does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

Reclassifications

Certain amounts from the December 31, 2021 financial statements have been reclassified for comparative purposes to conform to the December 31, 2022 presentation.

**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, 2022 and 2021, NLSLA had \$10,890,358 and \$11,384,894, respectively, of financial assets available within one year of the statement of financial position date to meet general expenditures, consisting of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,042,216	\$ 880,509
Grants and other receivables	4,341,561	5,728,194
Pledges receivable	3,185	3,633
Investments	<u>5,017,967</u>	<u>6,265,711</u>
	12,404,929	12,878,047
Less:		
Board designated	(1,044,977)	(1,044,977)
Net assets with purpose restrictions	<u>(469,594)</u>	<u>(448,176)</u>
	<u>\$10,890,358</u>	<u>\$11,384,894</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, 2022 and 2021.

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, 2022. 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, 2022 and 2021 was \$10,000 and \$10,000, respectively. Total pledges receivable at December 31, 2022 and 2021 of \$3,185 and \$3,633, respectively, are expected to be collected within one year and are as follows:

	<u>2022</u>	<u>2021</u>
Pledges receivable, gross	\$13,185	\$13,633
Less: allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
Pledge receivable, net	<u>\$ 3,185</u>	<u>\$ 3,633</u>

5. Investments

Investments at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$3,321,200	\$3,869,020
Money market	<u>1,696,767</u>	<u>2,396,691</u>
	<u>\$5,017,967</u>	<u>\$6,265,711</u>

6. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consist of the following:

<u>December 31, 2022</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,923,583	1,922,714	3,846,297
Building	1,666,294	219,020	1,885,314
Equipment	157,773		157,773
Furniture	245,306	100,366	345,672
Computer software	105,650	7,500	113,150
Computer hardware	<u>40,621</u>		<u>40,621</u>
	4,251,075	2,387,565	6,638,640
Less: accumulated depreciation	<u>(2,873,281)</u>	<u>(1,631,537)</u>	<u>(4,504,818)</u>
	<u>\$ 1,377,794</u>	<u>\$ 756,028</u>	<u>\$ 2,133,822</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment, continued

<u>December 31, 2021</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,909,103	1,919,094	3,828,197
Building	1,666,294	219,020	1,885,314
Equipment	157,773		157,773
Furniture	245,306	100,366	345,672
Computer software	105,650	7,501	113,151
Computer hardware	<u>40,621</u>	<u></u>	<u>40,621</u>
	4,236,595	2,383,946	6,620,541
Less: accumulated depreciation	<u>(2,686,818)</u>	<u>(1,543,581)</u>	<u>(4,230,399)</u>
	<u>\$ 1,549,777</u>	<u>\$ 840,365</u>	<u>\$ 2,390,142</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$274,419 and \$264,152, respectively.

7. Accrued Liabilities

Accrued liabilities at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Accrued vacation	\$ 695,248	\$ 688,200
Clients' trust deposits (Note 2)	1,084,466	1,007,073
Other liabilities	<u>85,859</u>	<u>66,406</u>
	<u>\$1,865,573</u>	<u>\$1,761,679</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, 2022 and 2021, of \$155,207 and \$190,031, respectively, represents estimated future claims arising from payroll paid through those year ends. Unemployment expense for the years ended December 31, 2022 and 2021 was \$45 and \$18,582, 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%, expired December 31, 2022. There was no outstanding balance at December 31, 2022 and 2021.

10. Operating Leases

NLSLA evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent NLSLA's right to use underlying assets for the lease term, and the lease liabilities represent NLSLA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. NLSLA used the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, NLSLA uses the incremental borrowing rate at the lease commencement date to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

NLSLA's operating leases consist primarily of equipment leases and a real estate lease for office space located in El Monte, California. The current equipment leases do not have an option to renew whereas the real estate lease includes two three-year options to renew, of which one of the options is reasonably certain to be exercised. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized as of December 31, 2022.

Cash paid for operating leases for the year ended December 31, 2022 was \$328,459. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

Future maturities of lease liabilities as of December 31, 2022, is as follows:

<u>Year ending December 31,</u>	
2023	\$ 346,283
2024	317,224
2025	236,728
2026	<u>160,944</u>
Total lease payments	1,061,179
Less: present value discount	<u>(85,266)</u>
	<u>\$ 975,913</u>

Rent and equipment lease expense under operating leases for the years ended December 31, 2022 and 2021 was \$355,929 and \$324,984, respectively.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

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

Following the State of California COVID-19 protocols, NLSLA has been conducting business activities under the consideration of the social distancing and remote work opportunities. The overall long-term financial impact of the COVID-19 virus on NLSLA cannot be foreseen at this time and is not reflected in these financial statements.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Health advocacy fund	\$309,782	\$269,282
Other	<u>159,811</u>	<u>178,894</u>
	<u>\$469,593</u>	<u>\$448,176</u>

For the years ended December 31, 2022 and 2021, net assets released from purpose restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restriction:		
Legal services	\$4,815,078	\$5,541,875
Other	<u>193,266</u>	<u>159,443</u>
	<u>\$5,008,344</u>	<u>\$5,701,318</u>

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

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

13. Fair Value Measurements

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$1,602,146	\$ -	\$1,602,146
Pledged contributions - new	<u> </u>	<u> </u>	<u>3,185</u>	<u>3,185</u>
	<u>\$ -</u>	<u>\$1,602,146</u>	<u>\$3,185</u>	<u>\$1,605,331</u>

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$789,681	\$ -	\$789,681
Pledged contributions	<u> </u>	<u> </u>	<u>22,433</u>	<u>22,433</u>
	<u>\$ -</u>	<u>\$789,681</u>	<u>\$22,433</u>	<u>\$812,114</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).

14. 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 \$678,531 in 2022 and \$607,372 in 2021, respectively.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

15. Government Contracts

Government contracts for the years ended December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Legal Services Corporation	\$ 4,686,959	\$ 4,890,315
Shriver Housing Project – Los Angeles	3,283,634	3,224,554
County of Los Angeles – Self Help Centers	2,572,836	2,371,117
LAC DHS MLCP - Whole Person Care	1,673,287	1,664,982
Equal Access to Justice	1,623,930	749,210
LSTF – EAF Homelessness	1,119,830	357,927
County of Los Angeles – CalWORKs DVSS	1,046,404	843,783
Interest on Lawyers Trust Account	991,100	1,078,090
DMHC Consumer Assistance Program	597,001	598,808
City of LA – Stay Housed	560,496	174,320
LAHSA Homelessness	544,664	808,277
County Stay Housed – Liberty Hill/LAFLA	530,331	513,198
Equal Access Partnership	489,076	105,091
MHSA Innovation	303,050	401,761
DMHC CCI	296,964	319,704
California Office of Emergency Services – Victims of Crime Act	217,330	217,168
Covered California	177,691	177,692
CAA2JC - Innovations Grant	176,601	-
Olive View – Trauma Recovery Center	130,059	16,948
DHCS CCHI	120,074	-
Impact-City of LA Reentry	113,189	153,873
County of Los Angeles – CSBG BUILD	95,410	51,760
County of Los Angeles – CSBG CARES	74,323	39,562
City of Pomona - Clinics	69,746	67,854
LSC – Disaster Relief	68,253	321,738
CAL CRG (CSI)	62,135	-
HCD – Mobile Home	61,692	45,264
LSC Technology Initiative Grant	59,865	19,731
CDSS CARE Stop The Hate	54,041	-
CAL LISTOS Target	53,620	-
Children’s Outreach Enrollment Utilization and Retention Training Grant	43,236	44,749
DVSS American Rescue Plan (ARP)	35,854	-
City of Baldwin Park	21,419	-
HTA CSI Accelerator	4,712	-
LAC BOS D3	1,438	-
LSC – Covid-19	-	310,091
LSTF - JAAVA	-	56,500
California Office of Emergency Services – COVID DV Assistance	-	44,897
DVSS CARES	-	40,326
El Monte Mobile Home Park	-	26,479
LACDA US Treasury Rental Relief	-	16,069
California Office of Emergency Services – Family Justice Center	-	10,649
	<u>\$21,960,250</u>	<u>\$19,762,487</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

16. 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, 2022 are summarized as follows:

Support:	
LSC basic grant	\$4,454,438
	<u> x 12.5%</u>
PAI requirement	<u>\$ 556,805</u>
Expenses:	
Personnel salaries:	
Lawyers, paralegals, clerical, and administrative staff	\$558,701
Employee benefits	160,683
Occupancy	26,307
Professional fees	24,053
Office expense	22,869
NLS event	19,166
Telephone	13,903
Equipment rental and maintenance	10,695
Insurance	5,315
Library maintenance	2,914
Dues and subscriptions	718
Other	491
Travel and training	447
Litigation	330
Meeting and events	<u>173</u>
	<u>\$846,765</u>
Net PAI expenses (over) the requirement threshold	<u>\$(289,960)</u>

17. Subsequent Events

NLSLA entered into a new promissory note dated February 28, 2023 with a financial institution for a one-million line of credit. The line of credit has a variable interest rate of Prime Rate plus 0.000% and a minimum rate of 7.000%. The line of credit is secured by the Glendale property.

Management has evaluated subsequent events through April 27, 2023, 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.

SUPPLEMENTARY INFORMATION

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, 2022

	Basic Field Grant	Carryover	LSC TIG	LSC Disaster Relief - Woolsey Woolsey	Property	Total
Revenue and support						
Government contracts	\$ 3,687,638	\$ 999,322	\$ 59,865	\$ 68,253	\$ -	\$ 4,815,078
Rental income	37,967					37,967
Attorney fees and costs	7,702					7,702
Income from investments	941					941
Total revenue and support	3,734,248	999,322	59,865	68,253	-	4,861,688
Expenses						
Salaries and wages	2,453,909	668,443	43,505	51,822		3,217,679
Payroll taxes and employee benefits	679,463	200,533	12,582	14,848		907,426
Total personnel costs	3,133,372	868,976	56,087	66,670		4,125,105
Depreciation					186,463	186,463
Occupancy	140,458	44,366				184,824
Professional fees	141,316		3,646			144,962
Office supplies and expense	94,362	28,500	132			122,994
Telephone	50,813	17,500		985		69,298
Software lease and equipment rental	40,440	14,500		598		55,538
Travel and training	50,951					50,951
Insurance	22,939	7,500				30,439
Miscellaneous	19,390					19,390
Library maintenance	11,510	3,500				15,010
Dues and subscriptions	10,625					10,625
Special events	8,084					8,084
Litigation	7,623					7,623
Meetings and events	2,365					2,365
Capital purchases		14,480			(14,480)	-
Total expenses	3,734,248	999,322	59,865	68,253	171,983	5,033,671
Change in net assets	-	-	-	-	(171,983)	(171,983)
Net assets, beginning of year	-	-	-	-	1,549,777	1,549,777
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ 1,377,794	\$ 1,377,794
Deferred revenue, end of year	\$ 1,010,152	* \$ 1,000,000	\$ -	\$ -	\$ -	\$ 2,010,152

* In accordance with LSC Program Letter 20-4, unearned LSC grant award is recorded in the Statement of Financial Position as a deferred revenue. The 2022 LSC basic field grant award is \$4,697,790, of which NLSLA recognized \$3,687,638 as revenue "with donor restrictions" in 2022 and recorded \$1,010,152 as deferred revenue liability in the Statement of Financial Position as of December 31, 2022.

The 2021 LSC basic field grant award was \$4,698,505, of which NLSLA recognized \$2,699,183 as revenue "with donor restrictions" in 2021 and recorded \$1,999,322 as deferred revenue liability in the Statement of Financial Position as of December 31, 2021.

** In accordance with 45 CFR Section 1628, NLSLA received approval from LSC to waive the 10% ceiling on the December 31, 2021 LSC fund balance. The LSC fund balance as of December 31, 2021 was \$1,999,322 and of that amount \$999,322 was recognized as revenue "with donor restrictions" in 2022 and expended in 2022 per approval from LSC. The remaining \$1,000,000 was reserved for 2023 operations in accordance with the approval from LSC.

Total LSC deferred revenue at 12/31/2022 is reported as \$2,010,152 representing \$1,010,152 of 2022 LSC Basic Field Grant Award and \$1,000,000 of 2021 LSC Basic Field Grant Award.

Total LSC Basic Field Grant revenue earned in 2022 is \$4,686,960 and is comprised of \$3,687,638 from the 2022 award and \$999,322 from the 2021 award.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

SCHEDULE OF REVENUE, SUPPORT AND EXPENSES BY GRANT
For the year ended December 31, 2022

	<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)	\$ 4,815,078	\$ 9,459,492	\$ 7,685,680	\$ -	\$ -	\$ -	\$ 21,960,250
Foundations				2,016,632	11,825		2,028,457
Donated materials and services (Note 2)					1,602,146		1,602,146
Contributions				64,000	878,991		942,991
Special events					161,510		161,510
Attorney fees and costs	7,702				125,570		133,272
Fellowship income					107,094		107,094
Rental income	37,967				29,889		67,856
Other revenue					14,062		14,062
Income from investments	941			29	4,197		5,167
Total revenue and support	<u>4,861,688</u>	<u>9,459,492</u>	<u>7,685,680</u>	<u>2,080,661</u>	<u>2,935,284</u>	<u>-</u>	<u>27,022,805</u>
Expenses							
Salaries and wages	3,217,680	4,836,077	4,031,092	784,210	268,807		13,137,866
Payroll taxes and employee benefits	907,426	1,400,813	1,171,204	224,533	74,303		3,778,279
Total personnel costs	<u>4,125,106</u>	<u>6,236,890</u>	<u>5,202,296</u>	<u>1,008,743</u>	<u>343,110</u>	<u>-</u>	<u>16,916,145</u>
Sub-grants		2,377,808	1,934,478	855,000			5,167,286
Donated materials and services					1,602,146		1,602,146
Professional fees	144,962	181,375	69,369	80,181	142,604		618,491
Occupancy	184,824	171,828	124,897	22,467	20,863		524,879
Office supplies and expense	122,994	83,359	57,728	19,159	24,845		308,085
Depreciation						274,419	274,419
Telephone	69,298	83,024	70,044	14,478	15,757		252,601
Software leases and equipment rental	55,538	64,021	54,134	11,221	13,420		198,334
Special events	8,084				121,755		129,839
Travel and training	50,951	41,295	14,307	2,101	2,711		111,365
Insurance	30,438	34,745	32,343	4,051	2,408		103,985
Dues and subscriptions	10,625	77,498	817	1,564	63		90,567
Miscellaneous	19,389	5,505	5,124	1,126	30,238		61,382
Library maintenance	15,010	19,270	17,703	2,084			54,067
Meetings and events	2,261	3,890	400	19,338	24,200		50,089
Litigation	7,623	28,645	9,453	867	1,017		47,605
Direct client assistance			24,763	16,852	83		41,698
Capital purchases	14,480				3,620	(18,100)	-
Total expenses	<u>4,861,583</u>	<u>9,409,153</u>	<u>7,617,856</u>	<u>2,059,232</u>	<u>2,348,840</u>	<u>256,319</u>	<u>26,552,983</u>
Revenue and support over (under) expenses	<u>\$ 105</u>	<u>\$ 50,339</u>	<u>\$ 67,824</u>	<u>\$ 21,429</u>	<u>\$ 586,444</u>	<u>\$ (256,319)</u>	<u>\$ 469,822</u>

See independent auditors' report.