

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients*, 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

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 Auditors*, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 25, 2024, 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 25, 2024

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 2,249,115	\$ 3,042,216
Clients' trust deposits (Note 2)	425,391	1,084,466
Total cash	2,674,506	4,126,682
Grants and other receivables	6,140,921	4,341,561
Pledges receivable, net (Note 4)	43,112	3,185
Prepaid expenses and deposits	174,211	179,349
Investments (Note 5)	15,629,104	5,017,967
Property and equipment (Note 6)	1,948,009	2,133,823
Right of use assets - operating leases (Note 10)	932,068	954,786
	\$ 27,541,931	\$ 16,757,353
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,258,752	\$ 1,555,051
Accrued liabilities (Note 7)	1,318,098	1,865,573
Accrued unemployment liability (Note 8)	183,901	155,207
Refundable advances	1,907,163	1,607,896
Refundable advances - LSC basic field grant (Note 2)	2,841,994	2,010,152
Line of credit (Note 9)	-	-
Notes payable (Note 10)	-	-
Lease liability - operating leases (Note 10)	949,802	975,913
	9,459,710	8,169,792
 NET ASSETS		
Without donor restrictions	7,687,595	7,072,991
Without donor restrictions-board designated (Note 12)	10,238,034	1,044,977
With donor restrictions (Note 12)	156,592	469,593
	18,082,221	8,587,561
 TOTAL LIABILITIES AND NET ASSETS	 \$ 27,541,931	 \$ 16,757,353

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, 2023 and 2022

	December 31, 2023			December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government contracts (Note 16)	\$ 21,468,486	\$ 4,640,457	\$ 26,108,943	\$ 17,145,172	\$ 4,815,078	\$ 21,960,250
Contributions	7,484,640	57,543	7,542,183	728,308	214,683	942,991
Donated materials and services (Note 2)	1,694,022		1,694,022	1,602,146		1,602,146
Foundations	660,797		660,797	2,028,457		2,028,457
Income from investments	477,283		477,283	5,167		5,167
Attorney fees and costs	332,329		332,329	133,272		133,272
Fellowship income	205,517		205,517	107,094		107,094
Special events	178,369		178,369	161,510		161,510
Other revenue	77,723		77,723	14,062		14,062
Rental income	69,552		69,552	67,856		67,856
Gain on right-of-use asset termination	9,356		9,356	-		-
Net assets released from restrictions (Note 12)	5,011,001	(5,011,001)	-	5,008,344	(5,008,344)	-
TOTAL REVENUE AND SUPPORT	37,669,075	(313,001)	37,356,074	27,001,388	21,417	27,022,805
Program services	27,528,176		27,528,176	23,511,004		23,511,004
Management and general	3,081,669		3,081,669	2,398,557		2,398,557
Fundraising	803,899		803,899	643,422		643,422
TOTAL EXPENSES	31,413,744	-	31,413,744	26,552,983	-	26,552,983
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	6,255,331	(313,001)	5,942,330	448,405	21,417	469,822
OTHER CHANGES						
Employee retention credit (Note 14)	3,552,330		3,552,330			-
CHANGE IN NET ASSETS	9,807,661	(313,001)	9,494,660	448,405	21,417	469,822
NET ASSETS, BEGINNING OF YEAR	8,117,968	469,593	8,587,561	7,669,563	448,176	8,117,739
NET ASSETS, END OF YEAR	\$ 17,925,629	\$ 156,592	\$ 18,082,221	\$ 8,117,968	\$ 469,593	\$ 8,587,561

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, 2023

	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	\$ 4,932,352	\$ 2,954,372	\$ 1,732,557	\$ 1,236,991	\$ 1,083,743	\$ 1,196,270	\$ 481,265	\$ 76,475	\$ 13,694,025	\$ 1,814,624	\$ 357,209	\$ 15,865,858		
Payroll taxes and employee benefits	1,370,716	844,051	502,616	355,481	314,202	350,770	139,621	22,485	3,899,942	527,636	85,232	4,512,810		
Total personnel costs	6,303,068	3,798,423	2,235,173	1,592,472	1,397,945	1,547,040	620,886	98,960	17,593,967	2,342,260	442,441	20,378,668		
Sub-grants	458,105	2,053,918	1,111,967	128,586	1,132,097		59,000		4,943,673			4,943,673		
Donated materials and services (Note 2)	957,872	229,290	279,678	11,769		60,658	28,275		1,567,542	126,480		1,694,022		
Professional fees	1,192,081	14,695	5,423	1,086	7,236	5,988	37		1,226,546	204,122	125,902	1,556,570		
Occupancy	348,721	87,794	25,222	35,491	22,514	33,070	8,705		561,517	104,127	7,795	673,439		
Office supplies and expense	140,634	40,294	51,125	8,651	7,439	8,442	2,697		259,282	32,182	35,979	327,443		
Software leases and equipment rental	138,276	25,576	15,975	13,979	9,943	10,302	2,344		216,395	86,037	3,868	306,300		
Telephone	122,254	58,151	35,823	18,292	20,672	19,426	6,074		280,692	10,466	4,983	296,141		
Depreciation	197,628	4,545							202,173	73,824		275,997		
Travel and training	110,443	31,199	1,436	340	2,836	2,208	1,364		149,826	34,935	2,209	186,970		
Special events									-		154,608	154,608		
Insurance	48,151	22,583	10,541	8,228	5,310	9,443	2,927		107,183	6,871	1,966	116,020		
Dues and subscriptions	91,792	5,571	2,426	788	197				100,774	4,300	2,513	107,587		
Miscellaneous	34,913	3,441	1,739	90	676	31	983		41,873	40,332	14,993	97,198		
Meetings and events	61,483	448	182	185	480	(360)			62,418	15,733	6,642	84,793		
Direct client assistance	32,141					45,660			77,801			77,801		
Litigation	33,139	34,659	241	679	2,284	542	1,374		72,918			72,918		
Library maintenance	26,170	13,249	10,525	5,658	3,364	3,172	1,458		63,596			63,596		
TOTAL FUNCTIONAL EXPENSES	\$ 10,296,871	\$ 6,423,836	\$ 3,787,476	\$ 1,826,294	\$ 2,612,993	\$ 1,745,622	\$ 736,124	\$ 98,960	\$ 27,528,176	\$ 3,081,669	\$ 803,899	\$ 31,413,744		

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

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	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
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
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
Depreciation	189,783	10,812							200,595	73,824		274,419
Travel and training	66,148	13,140	1,158	787	674	3,248	2,608		87,763	21,291	2,311	111,365
Special events											129,839	129,839
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
Meetings and events	27,329	446	172	200		410		19,166	47,723	998	1,368	50,089
Direct client assistance	28,936					12,762			41,698			41,698
Litigation	31,343	12,393	339	577	158	2,351	444		47,605			47,605
Library maintenance	23,969	12,516	6,477	4,469	2,829	2,583	1,174	50	54,067			54,067
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 CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,494,660	\$ 469,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	275,997	274,419
Interest and dividends reinvested	(284,484)	(77,203)
(Gain) loss on investments	(192,799)	72,036
Amortization of right-of-use assets - operating leases	299,608	293,266
(Gain) on termination of right-of-use assets	(9,356)	-
(Increase) decrease in operating assets:		
Grants receivable	(1,799,360)	1,386,633
Pledges receivable	(39,927)	448
Prepaid expenses and deposits	5,138	(17,169)
Increase (decrease) in operating liabilities:		
Accounts payable	703,701	(804,053)
Accrued liabilities	(547,475)	103,894
Accrued unemployment liability	28,694	(34,824)
Refundable advances	299,267	(401,671)
Refundable advances - LSC	831,842	10,830
Reduction of lease liabilities - operating leases	(293,645)	(272,139)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,771,861</u>	<u>1,004,289</u>
CASH FLOWS (TO) FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,950,270	3,419,000
Purchase of investments	(14,084,124)	(2,166,089)
Purchase of property and equipment	(90,183)	(18,100)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(10,224,037)</u>	<u>1,234,811</u>
NET (DECREASE) INCREASE IN CASH	<u>(1,452,176)</u>	<u>2,239,100</u>
CASH, BEGINNING OF YEAR	<u>4,126,682</u>	<u>1,887,582</u>
CASH, END OF YEAR	<u>\$ 2,674,506</u>	<u>\$ 4,126,682</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Addition to right-of-use assets and liabilities in accordance with ASC 842 - office space	\$ 55,852	\$ -
Addition to right-of-use assets and liabilities in accordance with ASC 842 - copiers	\$ 328,894	\$ -
Right-of-use assets upon adoption of ASC 842 - office space	\$ -	\$ 947,663
Right-of-use assets upon adoption of ASC 842 - copiers	\$ -	\$ 300,389

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 2023.

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 refundable advances in the Statement of Financial Position.

Per the Legal Services Corporation (“LSC”) Program Letter 23-2, and in conjunction with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“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 Basic Field 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 23-2, unearned LSC Basic Field Grant is recorded in the Statement of Financial Position as refundable advances. The 2023 LSC Basic Field Grant Award is \$5,402,852, of which NLSLA has recognized \$3,560,858 as revenue “with donor restrictions” in 2023 and recorded \$1,841,994 as refundable advances liability in the Statement of Financial Position as of December 31, 2023. Total LSC refundable advances at December 31, 2023 is reported as \$2,841,994 representing \$1,841,994 of 2023 LSC Basic Field Grant Award and \$1,000,000 of 2022 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 and for the building of a new office in Pacoima, and staff training and development.

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.

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants Receivable

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

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.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2023 and 2022 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 70% and 81% of NLSLA's total revenue was derived from government contracts for the years ended December 31, 2023 and 2022, respectively. Additionally, for the years ended December 31, 2023 and 2022, revenue from one government funding source was approximately 13% and 18% of total revenue, respectively.

Property and Equipment

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

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 \$1,694,022 and \$1,602,146 for the years ended December 31, 2023 and 2022, 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.

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, 2023 and 2022, clients' trust deposits of \$425,391 and \$1,084,466, respectively, were included in cash.

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.

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.

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 25, 2024, 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, 2023 and 2022, NLSLA had \$13,667,626 and \$10,890,359, respectively, of financial assets available within one year of the statement of financial position date to meet general expenditures, consisting of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,249,115	\$ 3,042,216
Grants and other receivables	6,140,921	4,341,561
Pledges receivable	43,112	3,185
Investments	<u>15,629,104</u>	<u>5,017,967</u>
	24,062,252	12,404,929
Less:		
Board designated	(10,238,034)	(1,044,977)
Net assets with purpose restrictions	<u>(156,592)</u>	<u>(469,593)</u>
	<u>\$ 13,667,626</u>	<u>\$10,890,359</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, 2023 and 2022.

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, money market funds, and treasury bonds. 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, 2023. 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, 2023 and 2022 was \$0 and \$10,000, respectively. Total pledges receivable at December 31, 2023 and 2022 of \$43,112 and \$3,185, respectively, are expected to be collected within one year and are as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable, gross	\$43,112	\$13,185
Less: allowance for doubtful accounts	<u>-</u>	<u>10,000</u>
Pledge receivable, net	<u>\$43,112</u>	<u>\$ 3,185</u>

5. Investments

Investments at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Treasury bonds	\$15,161,300	\$ -
Money market	234,148	1,696,767
Certificates of deposit	<u>233,656</u>	<u>3,321,200</u>
	<u>\$15,629,104</u>	<u>\$5,017,967</u>

6. Property and Equipment

Property and equipment at December 31, 2023 and 2022 consist of the following:

<u>December 31, 2023</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	8,588		8,588
Furniture	266,040	100,366	366,406
Computer software	<u>96,400</u>	<u>76,950</u>	<u>173,350</u>
	4,072,753	2,457,015	6,529,768
Less: accumulated depreciation	<u>(2,856,795)</u>	<u>(1,724,964)</u>	<u>(4,581,759)</u>
	<u>\$ 1,215,958</u>	<u>\$ 732,051</u>	<u>\$ 1,948,009</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment, continued

<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	7,501	113,151
Computer hardware	<u>40,621</u>		<u>40,621</u>
	4,251,075	2,387,566	6,638,641
Less: accumulated depreciation	<u>(2,873,281)</u>	<u>(1,631,537)</u>	<u>(4,504,818)</u>
	<u>\$ 1,377,794</u>	<u>\$ 756,029</u>	<u>\$ 2,133,823</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$275,997 and \$274,419, respectively.

7. Accrued Liabilities

Accrued liabilities at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Accrued vacation	\$ 837,156	\$ 695,248
Clients' trust deposits (Note 2)	425,391	1,084,466
Other liabilities	<u>55,551</u>	<u>85,859</u>
	<u>\$1,318,098</u>	<u>\$1,865,573</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, 2023 and 2022, of \$183,901 and \$155,207, respectively, represents estimated future claims arising from payroll paid through those year ends. Unemployment expense for the years ended December 31, 2023 and 2022 was \$20,842 and \$45, respectively.

9. Line of Credit

NLSLA has a 3-year term revolving line of credit, with a bank, in the amount of \$1,000,000, secured by real property, with a variable prime rate, with a floor rate of 7%, and will expire on February 28, 2026. There was no outstanding balance at December 31, 2023 and 2022.

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

10. Right-of-Use Assets and Liabilities – Operating Leases

NLSLA evaluated current contracts to determine which met the criteria of a lease. The 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 real estate leases for office spaces located in El Monte and Pacoima, California. The current equipment leases do not have an option to renew whereas the real estate lease for the El Monte office space includes two three-year options to renew, of which one of the options is reasonably certain to be exercised. The real estate lease for the Pacoima office space includes a one-year option to renew, which 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, 2023.

Cash paid for operating leases for the year ended December 31, 2023 was \$339,831. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2023 were 3.3 years and 5.33%, respectively.

Future maturities of lease liabilities as of December 31, 2023, is as follows:

<u>Year ending December 31,</u>	
2024	\$ 335,331
2025	335,416
2026	237,245
2027	76,301
2028	<u>57,226</u>
Total lease payments	1,041,519
Less: present value discount	<u>(91,717)</u>
	<u>\$ 949,802</u>

The underlying ROU assets related to the above liability is as follows:

ROU assets balance at January 1, 2023	\$ 954,786
Add: ROU assets	384,746
Less: amortization of lease	(299,608)
Less: lease termination	<u>(107,856)</u>
ROU assets balance at December 31, 2023	<u>\$ 932,068</u>

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

10. Right-of-Use Assets and Liabilities – Operating Leases, continued

Rent and equipment lease expense under operating leases for the years ended December 31, 2023 and 2022 was \$355,752 and \$355,929, respectively.

11. Commitments and Risks

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.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Health advocacy fund	\$ 12,217	\$309,782
Other	<u>144,375</u>	<u>159,811</u>
	<u>\$156,592</u>	<u>\$469,593</u>

For the years ended December 31, 2023 and 2022, net assets released from purpose restrictions were as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restriction:		
Legal services	\$4,640,457	\$4,815,078
Health advocacy fund	330,108	-
Other	<u>40,436</u>	<u>193,266</u>
	<u>\$5,011,001</u>	<u>\$5,008,344</u>

Board Designated Assets

In 2023, NLSLA Board of Directors designated \$9,965,240 in funds including allocated interest income for various board designated purposes, and spent \$772,183 of board designated assets towards the Pacoima Justice and Job Training Center. Total Board Designated Assets for the years ended December 31, 2023 and 2022 were \$10,238,034 and \$1,044,977, respectively.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions, continued

	<u>2023</u>	<u>2022</u>
Pacoima Justice and Job Training Center	\$ 8,883,355	\$1,044,977
Kamenir Health Advocacy Fund	1,023,812	-
Staff Training and Development	<u>330,867</u>	<u>-</u>
	<u>\$10,238,034</u>	<u>\$1,044,977</u>

13. Fair Value Measurements

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$1,694,022	\$ -	\$1,694,022
Pledged contributions - new	<u>-</u>	<u>-</u>	<u>43,112</u>	<u>43,112</u>
	<u>\$ -</u>	<u>\$1,694,022</u>	<u>\$43,112</u>	<u>\$1,737,134</u>

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 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 Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) provides an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter. During the fiscal year December 31, 2023, NLSLA qualified for the tax credit under CARES Act and recorded \$3,552,330 as revenue.

In July 2023, NLSLA received payments in the amount of \$3,552,330 related to the ERC, which includes interest income in the amount of \$149,897.

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

15. Employee Benefit Plan

Retirement benefits are provided to employees under a non-contributory, non-qualified tax deferred annuity pension plan. Under the plan, NLSLA contributes an amount equal to 3% of each participant's annual compensation for employees with less than five years of service, 6% for employees with more than five years and up to ten years of service, and 9% for employees with more than ten years of service. There are no past service costs associated with the plan, and employees are fully vested for all contributions on their behalf. Total contributions were \$755,684 in 2023 and \$678,531 in 2022, respectively.

16. Government Contracts

Government contracts for the years ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Legal Services Corporation	\$ 4,571,010	\$ 4,686,959
Shriver Housing Project – Los Angeles	2,996,065	3,283,634
County of Los Angeles – Self Help Centers	2,638,218	2,572,836
LAC DHS MLCP - Whole Person Care	1,975,800	1,673,287
Interest on Lawyers Trust Account	1,589,710	991,100
LSTF – EAF Homelessness	1,428,053	1,119,830
County of Los Angeles – CalWORKs DVSS	1,075,460	1,046,404
Equal Access Partnership	1,055,924	489,076
Equal Access to Justice	990,140	1,623,930
County Stay Housed – Liberty Hill/LAFLA	847,685	530,331
LSTF - HP 4 BAILA	787,355	-
City of LA – Stay Housed	658,868	560,496
LAHSA Homelessness	638,133	544,664
DMHC Consumer Assistance Program	615,086	597,001
DHCS CCHI	453,630	120,074
DHCS MMOP	395,225	-
MHSA Innovation	297,253	303,050
LSTF – Consumer Debt	242,485	-
DVSS American Rescue Plan (ARP)	229,064	35,854
CAA2JC - Innovations Grant	223,399	176,601
California Office of Emergency Services – Victims of Crime Act	216,264	217,330
County of Los Angeles – CSBG BUILD	210,410	95,410
Covered California	204,345	177,691
LAC BOS D3	198,563	1,438
CAL OES Victim Advocacy (UV)	194,826	-
Family Empowerment & Economic Legacy (FEEL) (CSI)	170,943	-
LACDA Bringing Families Home	151,416	-
Impact-City of LA Reentry	146,644	113,189
Olive View – Trauma Recovery Center	136,056	130,059
LAC DHS - AV DOORS	113,696	-
CAL CRG (CSI)	106,971	62,135

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

16. Government Contracts, continued

CAL LISTOS Target	98,960	53,620
HCD – Mobile Home	88,350	61,692
DMHC CCI	82,495	296,964
CDSS CARE Stop The Hate	77,039	54,041
City of LA - Mayor's Fund	53,375	-
LSC Technology Initiative Grant	45,284	59,865
Children’s Outreach Enrollment Utilization and Retention Training Grant	33,375	43,236
LSC 2023 PBIF Planning Grant	24,163	-
City of Pomona - Clinics	20,514	69,746
Pacoima Community Transit Oriented Development (TOD)	16,463	-
City of Baldwin Park	10,228	21,419
County of Los Angeles – CSBG CARES	-	74,323
LSC – Disaster Relief	-	68,253
HTA CSI Accelerator	-	4,712
	<u>\$26,108,943</u>	<u>\$21,960,250</u>

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, 2023 are summarized as follows:

Support:	
LSC basic grant	\$5,402,852
	<u> x 12.5%</u>
PAI requirement	<u>\$ 675,357</u>
Expenses:	
Personnel salaries:	
Lawyers, paralegals, clerical, and administrative staff	\$ 602,414
Employee benefits	171,507
Occupancy	30,570
Office expense	16,518
Telephone and Network	15,263
Professional fees	14,044
Software and Equipment rental and maintenance	14,001
Insurance	5,837
Library maintenance	3,234
Other	699
Travel and training	631
Litigation	241
Meeting and events	187
Dues and subscriptions	15
	<u>\$ 875,161</u>
Net PAI expenses (over) the requirement threshold	<u>\$ (199,804)</u>

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, 2023

	Basic Field Grant	Carryover	LSC TIG	LSC PBIF	Property	Total
Revenue and support						
Government contracts	\$ 3,560,858	\$ 1,010,152	\$ 45,284	\$ 24,163	\$ -	\$ 4,640,457
Attorney fees and costs	79,122					79,122
Income from investments	56,111					56,111
Rental income	38,916					38,916
Total revenue and support	3,735,007	1,010,152	45,284	24,163	-	4,814,606
Expenses						
Salaries and wages	2,386,553	675,687	34,407	5,269		3,101,916
Payroll taxes and employee benefits	670,680	202,706	10,119	1,504		885,009
Total personnel costs	3,057,233	878,393	44,526	6,773	-	3,986,925
Professional fees	148,430	36,278	340	17,135		202,183
Depreciation					182,570	182,570
Occupancy	131,619	32,905		79		164,603
Office supplies and expense	86,714	21,679	33	52		108,478
Software lease and equipment rental	73,423	19,106	385	37		92,951
Travel and training	69,344			23		69,367
Telephone	52,071	13,018		29		65,118
Insurance	22,357	5,589		17		27,963
Miscellaneous	21,193			18		21,211
Litigation	17,780					17,780
Meetings and events	16,545					16,545
Library maintenance	12,737	3,184				15,921
Dues and subscriptions	4,740					4,740
Special events	87					87
Capital purchases	20,734				(20,734)	-
Total expenses	3,735,007	1,010,152	45,284	24,163	161,836	4,976,442
Change in net assets	-	-	-	-	(161,836)	(161,836)
Net assets, beginning of year	-	-	-	-	1,377,794	1,377,794
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ 1,215,958	\$ 1,215,958
Refundable advances, end of year	\$ 1,841,994	* \$ 1,000,000	\$ -	\$ -	\$ -	\$ 2,841,994

* In accordance with LSC Program Letter 23-2, unearned LSC grant award is recorded in the Statement of Financial Position as refundable advances. The 2023 LSC basic field grant award is \$5,402,852, of which NLSLA recognized \$3,560,858 as revenue "with donor restrictions" in 2023 and recorded \$1,841,994 as refundable advances liability in the Statement of Financial Position as of December 31, 2023.

** The 2022 LSC basic field grant award was \$4,697,790, of which NLSLA recognized \$2,687,638 as revenue "with donor restrictions" in 2022 and recorded \$2,010,152 as refundable advances liability in the Statement of Financial Position as of December 31, 2022.

In accordance with 45 CFR Section 1628, NLSLA received approval from LSC to waive the 10% ceiling on the December 31, 2022 LSC fund balance. The LSC fund balance as of December 31, 2022 was \$2,010,152 and of that amount \$1,010,152 was recognized as revenue "with donor restrictions" in 2023 and expended in 2023 per approval from LSC. The remaining \$1,000,000 is reserved for 2024 operations in accordance with the approval from LSC.

Total LSC refundable advances at 12/31/2023 is reported as \$2,841,994 representing \$1,841,994 of 2023 LSC Basic Field Grant Award and \$1,000,000 of 2022 LSC Basic Field Grant Award.

Total LSC Basic Field Grant revenue earned in 2023 is \$4,571,010 and is comprised of \$3,560,858 from the 2023 award and \$1,010,152 from the 2022 award.

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, 2023

	<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 16)	\$ 4,811,399	\$ 11,998,840	\$ 9,298,704	\$ -	\$ -	\$ -	\$ 26,108,943
Contributions				57,543	7,484,640		7,542,183
Other revenue				675,000	2,955,053		3,630,053
Donated materials and services (Note 2)					1,694,022		1,694,022
Foundations				658,797	2,000		660,797
Income from investments	56,111			23,812	397,360		477,283
Attorney fees and costs	79,122				253,207		332,329
Fellowship income					205,517		205,517
Special events					178,369		178,369
Rental income	38,916				30,636		69,552
Gain on lease termination					9,356		9,356
Total revenue and support	<u>4,985,548</u>	<u>11,998,840</u>	<u>9,298,704</u>	<u>1,415,152</u>	<u>13,210,160</u>	<u>-</u>	<u>40,908,404</u>
Expenses							
Salaries and wages	3,180,650	6,499,676	5,078,632	471,249	635,651		15,865,858
Payroll taxes and employee benefits	907,557	1,878,312	1,461,425	134,307	131,209		4,512,810
Total personnel costs	<u>4,088,207</u>	<u>8,377,988</u>	<u>6,540,057</u>	<u>605,556</u>	<u>766,860</u>	<u>-</u>	<u>20,378,668</u>
Sub-grants	59,000	2,640,609	2,244,064				4,943,673
Donated materials and services					1,694,022		1,694,022
Professional fees	202,556	300,704	62,354	7,769	983,187		1,556,570
Occupancy	167,729	201,583	134,055	14,921	155,151		673,439
Office supplies and expense	110,133	90,349	79,088	8,855	39,018		327,443
Software leases and equipment rental	94,027	103,661	62,476	7,700	38,436		306,300
Telephone	66,607	121,944	90,700	11,385	5,505		296,141
Depreciation						275,997	275,997
Travel and training	69,488	79,260	28,330	2,441	7,451		186,970
Special events	87				154,521		154,608
Insurance	29,646	42,279	37,224	3,525	3,346		116,020
Dues and subscriptions	4,741	87,638	696	43	14,469		107,587
Miscellaneous	21,865	12,542	10,922	1,558	50,311		97,198
Meetings and events	16,546	16,443	510	349	50,945		84,793
Direct client assistance			60,210	17,591			77,801
Litigation	17,780	33,449	21,076	613			72,918
Library maintenance	16,402	23,662	20,873	1,787	872		63,596
Capital purchases	20,734	69,450				(90,184)	-
Total expenses	<u>4,985,548</u>	<u>12,201,561</u>	<u>9,392,635</u>	<u>684,093</u>	<u>3,964,094</u>	<u>185,813</u>	<u>31,413,744</u>
Revenue and support over (under) expenses	<u>\$ -</u>	<u>\$ (202,721)</u>	<u>\$ (93,931)</u>	<u>\$ 731,059</u>	<u>\$ 2,246,066</u>	<u>\$ (185,813)</u>	<u>\$ 9,494,660</u>

See independent auditors' report.