



**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2024 and 2023

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.900.9883
www.npocpas.com

WALNUT CREEK
2033 N. Main Street, #350
Walnut Creek, CA 94596
p: 925.469.8966

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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, 2024 and 2023, 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, 2024 and 2023, 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.

INDEPENDENT AUDITORS' REPORT

continued

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.

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.

INDEPENDENT AUDITORS' REPORT

continued

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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, 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, 2025

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 1,867,848	\$ 2,249,115
Clients' trust deposits (Note 2)	237,507	425,391
Total cash	<u>2,105,355</u>	<u>2,674,506</u>
Grants and other receivables	4,347,006	6,140,921
Pledges receivable, net (Note 4)	88,105	43,112
Prepaid expenses and deposits	220,896	174,211
Investments (Note 5)	17,180,657	15,629,104
Property and equipment (Note 7)	1,758,753	1,948,009
Right of use assets - operating leases (Note 11)	708,206	932,068
Assets held in charitable remainder unitrusts (Note 6)	<u>1,099,206</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 27,508,184</u></u>	<u><u>\$ 27,541,931</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,180,493	\$ 2,258,752
Accrued liabilities (Note 8)	1,203,053	1,318,098
Accrued unemployment liability (Note 9)	183,229	183,901
Refundable advances	1,969,963	1,907,163
Refundable advances - LSC basic field grant (Note 2)	3,507,600	2,841,994
Line of credit (Note 10)	-	-
Lease liabilities - operating leases (Note 11)	724,704	949,802
Charitable remainder unitrust payable (Note 6)	<u>414,895</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,183,937</u>	<u>9,459,710</u>
NET ASSETS		
Without donor restrictions	7,750,545	7,687,595
Without donor restrictions-board designated (Note 13)	9,729,789	10,238,034
With donor restrictions (Note 13)	<u>843,913</u>	<u>156,592</u>
TOTAL NET ASSETS	<u>18,324,247</u>	<u>18,082,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 27,508,184</u></u>	<u><u>\$ 27,541,931</u></u>

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

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

STATEMENTS OF ACTIVITIES For the years ended December 31, 2024 and 2023

	December 31, 2024			December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government contracts (Note 16)	\$ 23,887,436	\$ 4,788,837	\$ 28,676,273	\$ 21,468,486	\$ 4,640,457	\$ 26,108,943
Donated materials and services (Note 2)	5,680,826		5,680,826	1,694,022		1,694,022
Foundations	1,114,824		1,114,824	660,797		660,797
Contributions	1,031,298	56,740	1,088,038	7,484,640	57,543	7,542,183
Income from investments	768,448		768,448	477,283		477,283
Charitable Remainder Unitrust		684,311	684,311			-
Special event	214,643		214,643	178,369		178,369
Fellowship income	183,980		183,980	205,517		205,517
Rental income	71,291		71,291	69,552		69,552
Attorney fees and costs	34,350		34,350	332,329		332,329
Other revenue	13,848		13,848	77,723		77,723
Gain on right-of-use asset termination	435		435	9,356		9,356
Net assets released from restrictions (Note 13)	4,842,567	(4,842,567)	-	5,011,001	(5,011,001)	-
TOTAL REVENUE AND SUPPORT	37,843,946	687,321	38,531,267	37,669,075	(313,001)	37,356,074
Program services	34,191,502		34,191,502	27,528,176		27,528,176
Management and general	3,111,271		3,111,271	3,081,669		3,081,669
Fundraising	986,468		986,468	803,899		803,899
TOTAL EXPENSES	38,289,241	-	38,289,241	31,413,744	-	31,413,744
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(445,295)	687,321	242,026	6,255,331	(313,001)	5,942,330
OTHER CHANGES						
Employee retention credit			-	3,552,330		3,552,330
CHANGE IN NET ASSETS	(445,295)	687,321	242,026	9,807,661	(313,001)	9,494,660
NET ASSETS, BEGINNING OF YEAR	17,925,629	156,592	18,082,221	8,117,968	469,593	8,587,561
NET ASSETS, END OF YEAR	\$ 17,480,334	\$ 843,913	\$ 18,324,247	\$ 17,925,629	\$ 156,592	\$ 18,082,221

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, 2024

	Program Services							Total	Management	Fundraising	Total
	General Legal	Housing and	Self Help	Health	Medical Legal	Domestic	Clean	Program	and General		Expenses
	Services	Eviction	Centers		Community	Violence	Slate	Services			
		Defense			Partnership		Initiative				
Salaries and wages	\$ 5,255,157	\$ 3,529,297	\$ 1,884,180	\$ 1,296,115	\$ 1,061,402	\$ 1,030,277	\$ 802,249	\$ 14,858,677	\$ 1,856,373	\$ 469,290	\$ 17,184,340
Payroll taxes and employee benefits	1,570,530	1,079,897	579,696	395,148	322,065	317,256	246,060	4,510,652	569,522	144,069	5,224,243
Total personnel costs	6,825,687	4,609,194	2,463,876	1,691,263	1,383,467	1,347,533	1,048,309	19,369,329	2,425,895	613,359	22,408,583
Donated materials and services (Note 2)	2,273,765	1,501,513	1,799,963			73,360	32,225	5,680,826			5,680,826
Sub-grants	416,685	2,753,605	1,035,172	123,937	1,166,827		59,000	5,555,226			5,555,226
Professional fees	1,607,089	3,123	12,283	846	2,426	2,362	428	1,628,557	244,821	153,497	2,026,875
Occupancy	226,088	112,305	11,682	31,077	20,648	29,126	14,081	445,007	79,018	9,316	533,341
Depreciation	210,449							210,449	74,265		284,714
Telephone	108,117	57,909	22,355	12,475	14,430	12,881	7,435	235,602	22,076	4,659	262,337
Office supplies and expense	105,758	33,713	34,807	4,948	6,704	6,369	2,935	195,234	52,411	8,735	256,380
Software leases and equipment rental	38,989	22,558	10,018	12,132	4,422	6,824	2,804	97,747	127,638	14,394	239,779
Travel and training	103,840	47,067	4,638	2,696	7,834	394	4,912	171,381	29,474	3,133	203,988
Special event								-		155,947	155,947
Insurance	57,618	29,241	3,981	9,091	5,392	8,868	3,672	117,863	16,079	2,389	136,331
Dues and subscriptions	92,461	1,577	938					94,976	3,217	2,745	100,938
Litigation	61,775	35,602	870	(188)	273	1,485	142	99,959			99,959
Direct client assistance	18,031				110	48,809	31,007	97,957			97,957
Miscellaneous	36,444	6,468	663		550		449	44,574	33,208	15,731	93,513
Meetings and events	81,740	752	463	476	111			83,542	3,169	2,563	89,274
Library maintenance	31,604	17,207	1,103	5,374	3,161	2,659	2,165	63,273			63,273
TOTAL FUNCTIONAL EXPENSES	\$ 12,296,140	\$ 9,231,834	\$ 5,402,812	\$ 1,894,127	\$ 2,616,355	\$ 1,540,670	\$ 1,209,564	\$ 34,191,502	\$ 3,111,271	\$ 986,468	\$ 38,289,241

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

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	\$ 4,932,352	\$ 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
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
Sub-grants	458,105	2,053,918	1,111,967	128,586	1,132,097		59,000		4,943,673			4,943,673
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
Depreciation	197,628	4,545							202,173	73,824		275,997
Telephone	122,254	58,151	35,823	18,292	20,672	19,426	6,074		280,692	10,466	4,983	296,141
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
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 event											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
Litigation	33,139	34,659	241	679	2,284	542	1,374		72,918			72,918
Direct client assistance	32,141					45,660			77,801			77,801
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
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 CASH FLOWS

For the years ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 242,026	\$ 9,494,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	284,714	275,997
Interest and dividends reinvested	(873,692)	(284,484)
Loss (gain) on investments	105,244	(192,799)
Amortization of right-of-use assets - operating leases	287,094	299,608
(Gain) on termination of right-of-use assets	(435)	(9,356)
(Increase) decrease in operating assets:		
Grants receivable	1,793,915	(1,799,360)
Pledges receivable	(44,993)	(39,927)
Prepaid expenses and deposits	(46,685)	5,138
Assets held in charitable remainder unitrusts	(1,099,206)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(1,078,259)	703,701
Accrued liabilities	(115,045)	(547,475)
Accrued unemployment liability	(672)	28,694
Refundable advances	62,800	299,267
Refundable advances - LSC	665,606	831,842
Charitable remainder unitrust payable	414,895	-
Reduction of lease liabilities - operating leases	(287,895)	(293,645)
NET CASH PROVIDED BY OPERATING ACTIVITIES	309,412	8,771,861
CASH FLOWS (TO) INVESTING ACTIVITIES:		
Proceeds from sale of investments	33,292,455	3,950,270
Purchase of investments	(34,075,560)	(14,084,124)
Purchase of property and equipment	(95,458)	(90,183)
NET CASH (USED) BY INVESTING ACTIVITIES	(878,563)	(10,224,037)
NET (DECREASE) IN CASH	(569,151)	(1,452,176)
CASH, BEGINNING OF YEAR	2,674,506	4,126,682
CASH, END OF YEAR	\$ 2,105,355	\$ 2,674,506
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	\$ 91,854	\$ 328,894

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 end of the State of California's COVID-19 protocols, NLSLA has continued operating in a hybrid work environment, maintaining a mix of in-office and remote work arrangements into 2024.

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.

continued

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 2024 LSC Basic Field Grant Award is \$5,402,852, of which NLSLA has recognized \$3,395,253 as revenue “with donor restrictions” in 2024 and recorded \$2,007,600 as refundable advances liability in the Statement of Financial Position as of December 31, 2024. Total LSC refundable advances at December 31, 2024 is reported as \$3,507,600 representing \$2,007,600 of 2024 LSC Basic Field Grant Award and \$1,500,000 of 2023 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.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants Receivable

Grants receivable represent amounts due from government entities and other organizations. The organization has evaluated the applicability of ASU 326, *Financial Instruments—Credit Losses (Topic 326)*, and determined that grants receivable are not subject to the standard. This conclusion is based on the nature of these receivables, which are classified as grants (non-trade receivables) rather than contractual trade receivables. Management has assessed the collectability of these amounts and confirms that grants receivable are considered fully collectible for services rendered. Accordingly, no allowance for doubtful accounts has been recorded.

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, 2024 and 2023 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 74% and 70% of NLSLA's total revenue was derived from government contracts for the years ended December 31, 2024 and 2023, respectively. Additionally, for the years ended December 31, 2024 and 2023, revenue from one government funding source was approximately 13% and 13% 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 \$5,680,826 and \$1,694,022 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, clients' trust deposits of \$237,507 and \$425,391, 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.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new impairment model, the current expected credit loss (CECL) model. The model applies to most assets that are measured at amortized cost and requires those assets to be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are to be recognized through an allowance account. ASU 2016-13 also expands existing disclosure requirements. For nonpublic entities, ASU 2019-10 delayed the effective date of ASU 2016-13, and related subsequent ASUs, to fiscal years beginning after December 15, 2022.

NLSLA evaluated ASU 2016-13 and concluded that CECL is not applicable to its grants receivable or revenue streams. Grants receivable are non-trade in nature, arising from funding agreements with government entities and other organizations rather than contractual customer transactions. Additionally, NLSLA's revenues are predominantly derived from grants, which are not subject to credit loss assessment under Topic 326. Management confirmed that no allowance for credit losses is required, as grants receivable are deemed fully collectible based on historical experience and the terms of grant agreements.

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.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2025, 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.

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, 2024 and 2023, NLSLA had \$12,909,914 and \$13,667,626, respectively, of financial assets available within one year of the statement of financial position date to meet general expenditures, consisting of the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,867,848	\$ 2,249,115
Grants and other receivables	4,347,006	6,140,921
Pledges receivable	88,105	43,112
Investments	<u>17,180,657</u>	<u>15,629,104</u>
	23,483,616	24,062,252
Less:		
Board designated	(9,729,789)	(10,238,034)
Net assets with purpose restrictions	<u>(843,913)</u>	<u>(156,592)</u>
	<u>\$ 12,909,914</u>	<u>\$ 13,667,626</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.

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

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, 2024 and 2023.

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 10, 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.

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, 2024. 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. No allowance for uncollectible pledges has been recorded at December 31, 2024 and 2023. Total pledges receivable at December 31, 2024 and 2023 of \$88,105 and \$43,112, respectively, are expected to be collected within one year and are as follows:

	<u>2024</u>	<u>2023</u>
Pledges receivable, gross	\$88,105	\$43,112
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Pledge receivable, net	<u>\$88,105</u>	<u>\$43,112</u>

5. Investments

Investments at December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Treasury bonds	\$16,933,942	\$15,161,300
Certificates of deposit	244,956	233,656
Money market	<u>1,759</u>	<u>234,148</u>
	<u>\$17,180,657</u>	<u>\$15,629,104</u>

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

6. Charitable Remainder Unitrust

In October 2024, NLSLA received a \$1,000,000 asset from a grantor in exchange for agreeing to make quarterly distributions to the grantor during his lifetime, and subsequently to the surviving beneficiary for the remainder of their life. NLSLA recorded the asset at its fair value on the date of receipt and recognized a liability for the estimated present value of the future distributions. The difference between the asset's fair value and the liability was reported as a donor-restricted contribution in the Statement of Activities for the year of receipt. As of December 31, 2024, the charitable remainder unitrust held assets totaling \$1,099,206, with a liability of \$414,895 payable to the grantors.

7. Property and Equipment

Property and equipment at December 31, 2024 and 2023 consist of the following:

<u>December 31, 2024</u>	<u>LSC</u>	<u>Non-LSC</u>	<u>Total</u>
Land	\$ 111,848	\$ 137,965	\$ 249,813
Building improvements	1,935,670	1,943,991	3,879,661
Building	1,666,294	219,020	1,885,314
Equipment	28,636	6,683	35,319
Furniture	266,040	100,366	366,406
Computer software	<u>96,400</u>	<u>76,950</u>	<u>173,350</u>
	4,104,888	2,484,975	6,589,863
Less: accumulated depreciation	<u>(3,006,542)</u>	<u>(1,824,568)</u>	<u>(4,831,110)</u>
	<u>\$ 1,098,346</u>	<u>\$ 660,407</u>	<u>\$ 1,758,753</u>
 <u>December 31, 2023</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>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$284,714 and \$275,997, respectively.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

8. Accrued Liabilities

Accrued liabilities at December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Accrued vacation	\$ 900,082	\$ 837,156
Clients' trust deposits (Note 2)	237,507	425,391
Other liabilities	<u>65,464</u>	<u>55,551</u>
	<u>\$1,203,053</u>	<u>\$1,318,098</u>

9. 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, 2024 and 2023, of \$183,229 and \$183,901, respectively, represents estimated future claims arising from payroll paid through those year ends. Unemployment expense for the years ended December 31, 2024 and 2023 was \$6,382 and \$20,842, respectively.

10. 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, 2024 and 2023.

11. Right-of-Use Assets and Lease 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, 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. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized as of December 31, 2024.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Cash paid for operating leases for the year ended December 31, 2024 was \$268,680. 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, 2024 were 2.7 years and 4.73%, respectively.

Future maturities of lease liabilities as of December 31, 2024, is as follows:

<u>Year ending December 31,</u>	
2025	\$339,403
2026	263,619
2027	102,675
2028	<u>77,006</u>
Total lease payments	782,703
Less: present value discount	<u>(57,999)</u>
	<u>\$724,704</u>

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

ROU assets balance at January 1, 2024	\$ 932,068
Add: ROU assets	91,854
Less: amortization of lease	(287,094)
Less: lease termination	<u>(28,622)</u>
ROU assets balance at December 31, 2024	<u>\$ 708,206</u>

Rent and equipment lease expense under operating leases for the years ended December 31, 2024 and 2023 was \$333,734 and \$355,752, respectively.

12. 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.

continued

**NEIGHBORHOOD LEGAL SERVICES
OF LOS ANGELES COUNTY**

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Purpose restrictions:		
Charitable remainder unitrusts	\$684,311	\$ -
Other	119,635	144,375
Health advocacy fund	<u>39,967</u>	<u>12,217</u>
	<u>\$843,913</u>	<u>\$156,592</u>

For the years ended December 31, 2024 and 2023, net assets released from purpose restrictions were as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restriction:		
Legal services	\$4,788,837	\$4,640,457
Other	53,730	40,436
Health advocacy fund	<u>-</u>	<u>330,108</u>
	<u>\$4,842,567</u>	<u>\$5,011,001</u>

Board designated assets

In 2024, NLSLA Board of Directors designated \$10,308,987 in funds including allocated interest income for various board designated purposes, and spent \$579,198 of board designated assets towards the Pacoima Justice and Job Training Center. Total Board designated assets for the years ended December 31, 2024 and 2023 were \$9,729,789 and \$10,238,034, respectively.

	<u>2024</u>	<u>2023</u>
Pacoima Justice and Job Training Center	\$8,304,157	\$ 8,883,355
Kamenir Health Advocacy Fund	1,078,493	1,023,812
Staff Training and Development	<u>347,139</u>	<u>330,867</u>
	<u>\$9,729,789</u>	<u>\$10,238,034</u>

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

14. Fair Value Measurements

The table below presents the transactions measured at fair value on a non-recurring basis at December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$5,680,826	\$ -	\$5,680,826
Assets held in remainder unitrusts			1,099,206	1,099,206
Pledged contributions - new			88,105	88,105
	<u>\$ -</u>	<u>\$5,680,826</u>	<u>\$1,187,311</u>	<u>\$6,868,137</u>

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
Assets held in remainder unitrusts			-	-
Pledged contributions - new			43,112	43,112
	<u>\$ -</u>	<u>\$1,694,022</u>	<u>\$43,112</u>	<u>\$1,737,134</u>

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

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

The fair value of assets held in remainder unitrusts is measured on a recurring basis by calculating the change in value of the client's beneficial interest in the trust, which is underlying assets invested in the market (Level 3 inputs).

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 \$852,323 in 2024 and \$755,684 in 2023, respectively.

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

16. Government Contracts

Government contracts for the years ended December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Legal Services Corporation	\$ 4,737,247	\$ 4,571,010
Shriver Housing Project – Los Angeles	4,273,972	2,996,065
Interest on Lawyers Trust Account	2,629,781	1,589,710
County of Los Angeles – Self Help Centers	2,627,636	2,638,218
LAC DHS MLCP - Whole Person Care	1,954,491	1,975,800
County Stay Housed – Liberty Hill/LAFLA	1,437,110	847,685
City of LA – Stay Housed	1,260,738	658,868
LSTF – EAF Homelessness	1,156,158	1,428,053
County of Los Angeles – CalWORKs DVSS	1,028,424	1,075,460
Equal Access Partnership	887,150	1,055,924
Equal Access to Justice	870,201	990,140
Family Empowerment & Economic Legacy (FEEL) (CSI)	582,017	170,943
LSTF - HP 4 BAILA	573,934	787,355
LAHSA Homelessness	644,969	638,133
DMHC Consumer Assistance Program	610,487	615,086
Pacoima Community Transit Oriented Development (TOD)	461,556	16,463
DHCS MMOP	437,542	395,225
LSTF – Consumer Debt	301,820	242,485
CAL CRG (CSI)	232,109	106,971
County of Los Angeles – CSBG BUILD	150,000	210,410
Covered California	205,234	204,345
DHCS CCHI	197,294	453,630
CAL OES Victim Advocacy (UV)	196,906	194,826
LACDA Bringing Families Home	188,584	151,416
DVSS American Rescue Plan (ARP)	176,416	229,064
LAC DHS - AV DOORS	168,768	113,696
Impact-City of LA Reentry	121,456	146,644
Olive View – Trauma Recovery Center	114,976	136,056
City of LA - Mayor's Fund	77,625	53,375
MHSA Innovation	64,869	297,253
POWER Partnership (HTA)	58,083	-
LAV DOJ VAWA	58,034	-
LA Food Equity (Community Partners)	53,549	-
LSC 2023 PBIF Planning Grant	51,590	24,163
City of LA - Breaking Barriers	35,226	-
HCD – Mobile Home	34,148	88,350
Children's Outreach Enrollment Utilization and Retention Training Grant	15,441	33,375
HRSA ECD Legal Support for Families (NEVHC)	732	-
CAA2JC - Innovations Grant	-	223,399
California Office of Emergency Services – Victims of Crime Act	-	216,264

continued

NEIGHBORHOOD LEGAL SERVICES OF LOS ANGELES COUNTY

NOTES TO FINANCIAL STATEMENTS

16. Government Contracts, continued

LAC BOS D3	-	198,563
CAL LISTOS Target	-	98,960
DMHC CCI	-	82,495
CDSS CARE Stop The Hate	-	77,039
LSC Technology Initiative Grant	-	45,284
City of Pomona - Clinics	-	20,514
City of Baldwin Park	-	10,228
	<u>\$28,676,273</u>	<u>\$26,108,943</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, 2024 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	\$ 656,944
Employee benefits	199,711
Occupancy	19,610
Professional fees	14,293
Telephone and Network	9,848
Office expense	9,607
Software and equipment rental and maintenance	8,867
Insurance	5,017
Library maintenance	2,345
Meeting and events	141
Travel and training	106
Dues and subscriptions	96
Other	70
Litigation	59
	<u>\$ 926,714</u>
Net PAI expenses (over) the requirement threshold	<u>\$(251,357)</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, 2024

	Basic Field Grant	Carryover	LSC PBIF	Property	Total
Revenue and support					
Government contracts	\$ 3,395,253	\$ 1,341,994	\$ 51,590	\$ -	\$ 4,788,837
Income from investments	141,228				141,228
Rental income	39,794				39,794
Total revenue and support	3,576,275	1,341,994	51,590	-	4,969,859
Expenses					
Salaries and wages	2,225,897	928,740	24,349		3,178,986
Payroll taxes and employee benefits	665,423	278,622	7,504		951,549
Total personnel costs	2,891,320	1,207,362	31,853	-	4,130,535
Professional fees	165,862	57,500	18,436		241,798
Depreciation				182,910	182,910
Occupancy	134,631	31,054	142		165,827
Office supplies and expense	84,606	3,501	110		88,217
Telephone	56,826	9,723	64		66,613
Software lease and equipment rental	57,184	8,829	141		66,154
Travel and training	45,270	16,392	796		62,458
Insurance	33,904	7,633	17		41,554
Library maintenance	20,125				20,125
Miscellaneous	12,611		26		12,637
Litigation	5,717				5,717
Dues and subscriptions	2,846				2,846
Meetings and events	75		5		80
Special event					-
Capital purchases	65,298			(65,298)	-
Total expenses	3,576,275	1,341,994	51,590	117,612	5,087,471
Change in net assets	-	-	-	(117,612)	(117,612)
Net assets, beginning of year	-	-	-	1,215,958	1,215,958
Net assets, end of year	\$ -	\$ -	\$ -	\$ 1,098,346	\$ 1,098,346
Deferred revenue, end of year	\$ 2,007,600 *	\$ 1,500,000	\$ -	\$ -	\$ 3,507,600

* In accordance with LSC Program Letter 23-2, unearned LSC grant award is recorded in the Statement of Financial Position as a refundable advances. The 2024 LSC basic field grant award is \$5,402,852, of which NLSLA recognized \$3,395,253 as revenue "with donor restrictions" in 2024 and recorded \$2,007,600 as refundable advances in the Statement of Financial Position as of December 31, 2024.

** The 2023 LSC basic field grant award was \$5,402,852, of which NLSLA recognized \$3,735,007 as revenue "with donor restrictions" in 2023 and recorded \$2,841,994 as refundable advances in the Statement of Financial Position as of December 31, 2023.

In accordance with 45 CFR Section 1628, NLSLA received approval from LSC to waive the 10% ceiling on the December 31, 2023 LSC fund balance. The LSC fund balance as of December 31, 2023 was \$2,841,994 and of that amount \$1,341,994 was recognized as revenue "with donor restrictions" in 2024 and expended in 2024 per approval from LSC. The remaining \$1,500,000 is reserved for 2025 operations in accordance with the approval from LSC.

Total LSC refundable advances at December 31, 2024 is reported as \$3,507,600 representing \$2,007,600 of 2024 LSC Basic Field Grant Award and \$1,500,000 of 2023 LSC Basic Field Grant Award.

Total LSC Basic Field Grant revenue earned in 2024 is \$4,737,247 and is comprised of \$3,395,523 from the 2024 award and \$1,341,994 from the 2023 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, 2024

	<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)	\$ 5,429,620	\$ 13,241,352	\$ 10,005,301	\$ -	\$ -	\$ -	\$ 28,676,273
Donated materials and services (Note 2)					5,680,826		5,680,826
Foundations				1,114,824			1,114,824
Contributions				56,740	1,031,298		1,088,038
Income from investments	141,228			54,681	572,539		768,448
Charitable Remainder Unitrust					684,311		684,311
Special events					214,643		214,643
Fellowship income			54,222		129,758		183,980
Rental income	39,795				31,496		71,291
Attorney fees and costs					34,350		34,350
Other revenue					13,848		13,848
Gain on lease termination					435		435
Total revenue and support	<u>5,610,643</u>	<u>13,241,352</u>	<u>10,059,523</u>	<u>1,226,245</u>	<u>8,393,504</u>	<u>-</u>	<u>38,531,267</u>
Expenses							
Salaries and wages	3,563,779	6,675,486	5,669,777	813,772	461,526		17,184,340
Payroll taxes and employee benefits	1,069,713	2,052,571	1,737,608	246,904	117,447		5,224,243
Total personnel costs	<u>4,633,492</u>	<u>8,728,057</u>	<u>7,407,385</u>	<u>1,060,676</u>	<u>578,973</u>	<u>-</u>	<u>22,408,583</u>
Donated materials and services					5,680,826		5,680,826
Sub-grants	59,000	3,294,227	2,201,999				5,555,226
Professional fees	247,448	361,173	55,251	9,092	1,353,911		2,026,875
Occupancy	181,377	175,871	139,595	20,200	16,298		533,341
Depreciation						284,714	284,714
Telephone	72,891	95,665	72,684	15,623	5,474		262,337
Office supplies and expense	91,731	73,285	55,197	14,514	21,653		256,380
Software leases and equipment rental	71,468	82,005	55,762	12,626	17,918		239,779
Travel and training	66,485	84,036	43,257	4,252	5,958		203,988
Special event					155,947		155,947
Insurance	45,601	45,722	36,503	5,964	2,541		136,331
Dues and subscriptions	2,863	82,140	196	976	14,763		100,938
Litigation	5,790	64,374	19,133	631	10,031		99,959
Direct client assistance	31,006	110	48,809	18,032			97,957
Miscellaneous	13,597	17,055	9,571	1,510	51,780		93,513
Meetings and events	88	16,365	404	1,517	70,900		89,274
Library maintenance	22,507	22,195	14,991	2,944	636		63,273
Capital purchases	65,299				30,159	(95,458)	-
Total expenses	<u>5,610,643</u>	<u>13,142,280</u>	<u>10,160,737</u>	<u>1,168,557</u>	<u>8,017,768</u>	<u>189,256</u>	<u>38,289,241</u>
Revenue and support over (under) expenses	<u>\$ -</u>	<u>\$ 99,072</u>	<u>\$ (101,214)</u>	<u>\$ 57,688</u>	<u>\$ 375,736</u>	<u></u>	<u>\$ 242,026</u>

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