

BAY AREA LEGAL AID

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL SCHEDULES**

DECEMBER 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bay Area Legal Aid

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Area Legal Aid (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2017 and 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Legal Aid as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Private Attorney Involvement (PAI) Compliance, Schedule of Support, Revenue, Expenses, and Changes in Net Assets of Legal Services Corporation ("LSC") Funds, as required by the LSC *Audit Guide for Recipients*, and Schedule of Expenditures of State Awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of Bay Area Legal Aid's internal control over financial reporting and our tests of their 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 Bay Area Legal Aid'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 Bay Area Legal Aid's internal control over financial reporting and compliance.

Harrington Group

San Francisco, California
April 26, 2018

BAY AREA LEGAL AID

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 645,477	\$ 1,382,240
Cash held in trust	35,071	33,794
Grants receivable	2,541,690	1,575,297
Pledges receivable (Note 3)	545,473	460,607
Prepaid expenses	37,452	13,894
Other assets	64,430	115,279
Investments (Note 4)	2,077,409	2,292,938
Property and equipment (Note 5)	6,936,129	6,785,653
TOTAL ASSETS	<u>\$ 12,883,131</u>	<u>\$ 12,659,702</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 337,150	\$ 218,055
Accrued liabilities (Note 6)	975,017	899,749
Deferred revenue	730,104	667,164
Notes payable (Note 7)	4,762,583	5,119,467
TOTAL LIABILITIES	<u>6,804,854</u>	<u>6,904,435</u>
NET ASSETS		
Unrestricted	3,326,553	3,210,785
Unrestricted - property and equipment (Note 2)	2,451,328	2,451,328
Temporarily restricted (Note 9)	300,396	93,154
TOTAL NET ASSETS	<u>6,078,277</u>	<u>5,755,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,883,131</u>	<u>\$ 12,659,702</u>

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

BAY AREA LEGAL AID

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2017 and 2016

	December 31, 2017			December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Government contracts (Note 10)	\$ 7,883,920	\$ 4,172,280	\$ 12,056,200	\$ 6,194,612	\$ 4,330,760	\$ 10,525,372
Donated services (Note 11)	1,811,126		1,811,126	2,877,494		2,877,494
Contributions	1,178,142		1,178,142	946,302		946,302
Other revenue	347,081		347,081	351,042		351,042
Grants		2,119,876	2,119,876		1,613,028	1,613,028
Attorney fees	271,501		271,501	156,276	287	156,563
Rental income	92,506		92,506	79,112		79,112
Interest and dividends	744	186	930	924	221	1,145
Gain on investments	132,223		132,223	108,174		108,174
Net assets released from program restrictions	6,085,100	(6,085,100)	-	5,923,658	(5,923,658)	-
TOTAL REVENUE AND SUPPORT	<u>17,802,343</u>	<u>207,242</u>	<u>18,009,585</u>	<u>16,637,594</u>	<u>20,638</u>	<u>16,658,232</u>
EXPENSES						
Program services	15,471,721		15,471,721	14,529,661		14,529,661
Support services	1,630,335		1,630,335	1,452,800		1,452,800
Fundraising	584,519		584,519	498,855		498,855
TOTAL EXPENSES	<u>17,686,575</u>	<u>-</u>	<u>17,686,575</u>	<u>16,481,316</u>	<u>-</u>	<u>16,481,316</u>
CHANGE IN NET ASSETS	115,768	207,242	323,010	156,278	20,638	176,916
NET ASSETS, BEGINNING OF YEAR	<u>5,662,113</u>	<u>93,154</u>	<u>5,755,267</u>	<u>5,505,835</u>	<u>72,516</u>	<u>5,578,351</u>
NET ASSETS, END OF YEAR	<u>\$ 5,777,881</u>	<u>\$ 300,396</u>	<u>\$ 6,078,277</u>	<u>\$ 5,662,113</u>	<u>\$ 93,154</u>	<u>\$ 5,755,267</u>

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

BAY AREA LEGAL AID

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2017 and 2016

	December 31, 2017				December 31, 2016			
	Program Services	Support Services	Fundraising	Total Expenses	Program Services	Support Services	Fundraising	Total Expenses
Salaries and wages	\$ 7,803,931	\$ 1,097,877	\$ 364,836	\$ 9,266,644	\$ 6,857,940	\$ 989,447	\$ 288,545	\$ 8,135,932
Employee benefits	1,273,656	179,181	59,544	1,512,381	1,112,742	160,544	46,818	1,320,104
Payroll taxes	607,154	85,416	28,385	720,955	575,592	83,045	24,218	682,855
Total personnel costs	9,684,741	1,362,474	452,765	11,499,980	8,546,274	1,233,036	359,581	10,138,891
Donated services (Note 11)	1,811,126			1,811,126	2,877,494			2,877,494
Occupancy	1,218,580	115,555	52,525	1,386,660	871,466	78,661	46,271	996,398
Sub-grants	1,018,650			1,018,650	547,225			547,225
Depreciation	404,840	38,390	17,450	460,680	356,401	32,170	18,923	407,494
Professional fees	247,996	23,517	10,689	282,202	308,443	27,841	16,377	352,661
Telephone	185,813	17,620	8,009	211,442	156,192	14,098	8,293	178,583
Supplies	153,647	14,570	6,623	174,840	104,786	9,458	5,564	119,808
Equipment rental and maintenance	145,204	13,769	6,259	165,232	185,375	16,732	9,843	211,950
Travel	89,707	8,507	3,867	102,081	80,218	7,241	4,259	91,718
Training	84,336	7,997	3,635	95,968	91,801	8,286	4,874	104,961
Library	86,199			86,199	79,841			79,841
Insurance	65,689	6,229	2,831	74,749	65,893	5,948	3,499	75,340
Dues and fees	54,997	5,215	2,371	62,583	59,543	5,374	3,161	68,078
Recruiting, staff relations, and strategic planning	52,905	5,017	2,280	60,202	31,756	2,866	1,686	36,308
Audit	37,305	3,538	1,608	42,451	35,412	3,196	1,880	40,488
Litigation	39,216			39,216	23,634			23,634
Postage and delivery	27,573	2,615	1,188	31,376	24,013	2,168	1,275	27,456
Advertising and public relations	16,155	2,480	11,127	29,762	6,153	1,458	10,858	18,469
Printing and copying	16,939	1,606	730	19,275	33,307	3,006	1,768	38,081
Work study/law students	17,069			17,069	30,466			30,466
Miscellaneous	13,034	1,236	562	14,832	13,968	1,261	743	15,972
TOTAL FUNCTIONAL EXPENSES	\$ 15,471,721	\$ 1,630,335	\$ 584,519	\$ 17,686,575	\$ 14,529,661	\$ 1,452,800	\$ 498,855	\$ 16,481,316

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

BAY AREA LEGAL AID

STATEMENTS OF CASH FLOWS For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 323,010	\$ 176,916
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	460,680	407,494
Reinvested interest and dividends	(37,548)	(1,107)
Unrealized (gain) on investments	(95,574)	(108,174)
(Increase) decrease in operating assets:		
Cash held in trust	(1,277)	(3,874)
Grants receivable	(966,393)	(229,208)
Pledges receivable	(84,866)	(68,347)
Prepaid expenses	(23,558)	18,692
Other assets	50,849	9,118
Increase (decrease) in operating liabilities:		
Accounts payable	119,095	63,954
Accrued liabilities	75,268	151,052
Deferred revenue	62,940	209,610
	(117,374)	626,126
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FORM INVESTING ACTIVITIES:		
Sale of investments	350,726	11,251
Purchase of investments	(2,075)	(12,238)
Purchase of property and equipment	(611,156)	(64,281)
	(262,505)	(65,268)
NET CASH (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings	-	433,435
Principal payments on notes payable	(356,884)	(203,149)
	(356,884)	230,286
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH	(736,763)	791,144
CASH, BEGINNING OF YEAR	1,382,240	591,096
CASH, END OF YEAR	\$ 645,477	\$ 1,382,240
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of:	\$ 253,983	\$ 231,956
Non-cash transactions:		
Property and equipment acquired with notes payable	\$ -	\$ 971,524

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

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Bay Area Legal Aid (“BayLegal”), a California not-for-profit corporation, was founded on January 1, 2000. BayLegal is funded by donations, grants, and contracts from federal, state, county, and municipal government, private foundations, corporations, and individuals.

BayLegal provides free civil legal services to low income Bay Area residents to increase their self-sufficiency and improve their quality of life. Its vision is to build a program with the capacity to provide clients with equal access to the justice system and high quality legal assistance regardless of a client’s location, language, or disability. BayLegal focuses its resources on four priority areas identified by the community as their most pressing: affordable housing and homelessness prevention, access to quality health care, public benefits, and domestic violence prevention.

BayLegal provides legal assistance in a number of ways, including information and referral, advice and brief service, legal representation, public policy development and improvement, trainings at community-based organizations, and community education and outreach.

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.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of BayLegal are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. BayLegal reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit BayLegal to expend all of the income (or other economic benefits) derived from the donated assets. BayLegal has no permanently restricted net assets at December 31, 2017 and 2016.

Allowance for Bad Debt

Although BayLegal uses the allowance method, management has determined that an allowance for bad debt is not currently required.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as 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.

Investments

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

Fair Value Measurements

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

BayLegal is required to measure the related revenues, non-cash contributions, and certain investments at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

BayLegal 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. BayLegal has not incurred losses related to these investments.

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

The primary receivable balance outstanding at December 31, 2017 and 2016 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of BayLegal's receivables consist of earned fees from contract programs granted by governmental agencies.

BayLegal holds investments in the form of equities, certificates of deposit, and short-term money market investments. Management routinely reviews market values of such investments.

Property and Equipment

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

Property and equipment acquired with federal funds or LSC funds are considered to be owned by BayLegal 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. On the Statements of Financial Position, these assets have been identified in the net assets as "Unrestricted – property and equipment".

Income Taxes

BayLegal is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

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 BayLegal in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. BayLegal'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 BayLegal's programs and other activities have been presented in the Statement 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. BayLegal uses various statistical bases to allocate indirect costs.

BAY AREA LEGAL AID

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.

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 (see Note 11).

Subsequent Events

Management has evaluated subsequent events through April 26, 2018, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appears to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Pledges receivable are recorded at estimated net realizable value in the period received. All pledges are deemed to be fully collectible; therefore, no allowance for doubtful accounts has been recorded. Pledges receivable at December 31, 2017 and 2016 of \$545,473 and \$460,607, respectively, are expected to be collected within one year.

4. Investments

Investments at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Exchange traded	\$ 722,530	\$ 657,183
Bond funds	649,028	637,842
Money market funds	387,027	722,950
Mutual fund	317,779	273,978
Equities	<u>1,045</u>	<u>985</u>
	<u>\$2,077,409</u>	<u>\$2,292,938</u>

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment at December 31, 2017 and 2016 consist of the following:

	<u>Non-LSC</u>	<u>LSC</u>	<u>Total</u>
<u>December 31, 2017</u>			
Building	\$ 6,691,909	\$ -	\$ 6,691,909
Furniture and equipment	1,904,860	11,376	1,916,236
Land	1,249,500		1,249,500
Computer equipment	833,156	68,960	902,116
Leasehold improvements	1,398,594		1,398,594
Law library	186,485		186,485
Software	108,260		108,260
Call center	<u>9,931</u>		<u>9,931</u>
	12,382,695	80,336	12,463,031
Less: accumulated depreciation	<u>(5,451,058)</u>	<u>(75,844)</u>	<u>(5,526,902)</u>
	<u>\$ 6,931,637</u>	<u>\$ 4,492</u>	<u>\$ 6,936,129</u>
 <u>December 31, 2016</u>			
Building	\$ 6,228,733	\$ -	\$ 6,228,733
Furniture and equipment	1,833,062	11,376	1,844,438
Land	1,249,500		1,249,500
Computer equipment	766,906	68,960	835,866
Leasehold improvements	1,398,594		1,398,594
Law library	186,485		186,485
Software	<u>108,260</u>		<u>108,260</u>
	11,771,540	80,336	11,851,876
Less: accumulated depreciation	<u>(5,002,555)</u>	<u>(63,668)</u>	<u>(5,066,223)</u>
	<u>\$ 6,768,985</u>	<u>\$ 16,668</u>	<u>\$ 6,785,653</u>

6. Accrued Liabilities

Accrued liabilities at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Accrued vacation	\$523,447	\$473,785
Accrued salaries	405,390	373,477
Client trust fund	35,071	33,794
Other accrued liabilities	<u>11,109</u>	<u>18,693</u>
	<u>\$975,017</u>	<u>\$899,749</u>

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

7. Notes Payable

Notes payable at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Note payable to a bank, secured by a first deed of trust, interest at 5.10%, monthly payments of \$26,572, due March 2023.	\$3,503,600	\$3,636,467
Note payable to a bank, secured by a deed of trust and assignment of all rents on real property in Alameda County, California, interest at 5.00%, monthly payments of \$14,248, due May 2023.	808,448	933,583
Note payable to a corporation, secured by a first deed of trust, interest at 2.50%, quarterly payments of \$15,617, due February 2023.	306,444	400,000
Note payable to a bank, secured by a first deed of trust, monthly payments of \$1,083, including interest at 5.10%, due June 2019.	<u>144,091</u>	<u>149,417</u>
	<u>\$4,762,583</u>	<u>\$5,119,467</u>

Maturities for notes payable are as follows:

<u>Year ended December 31,</u>	
2018	\$ 338,498
2019	486,773
2020	364,537
2021	382,626
2022	400,534
Thereafter	<u>2,789,615</u>
	<u>\$4,762,583</u>

8. Commitments and Contingencies

Obligations Under Operating Leases

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

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

8. Commitments and Contingencies, continued

<u>Year ended December 31,</u>	
2018	\$ 753,409
2019	764,731
2020	723,311
2021	705,440
2021	691,054
Thereafter	<u>1,944,348</u>
	<u>\$5,582,293</u>

Rent expense under operating leases for the years ended December 31, 2017 and 2016 was \$928,911 and \$645,346, respectively.

Contracts

BayLegal'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, BayLegal has no provisions for the possible disallowance of program costs on its financial statements.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Non-LSC	\$295,904	\$76,486
Property purchased with funds from LSC	<u>4,492</u>	<u>16,668</u>
	<u>\$300,396</u>	<u>\$93,154</u>

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

10. Government Contracts

Government contracts for the years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Legal Service Corporation	\$ 4,172,280	\$ 4,330,760
Community Development	1,309,791	933,194
Alameda County Behavioral Health Care Services	1,297,397	1,037,466
Other	1,182,712	1,147,515
San Francisco Mayor's Office of Housing and Alameda Count CalWORKs/SSA	891,424	373,894
San Francisco Department of Human Services	471,582	294,478
Alameda County Health Care Services Agency	436,732	328,706
State of California, Department of Managed Health Care	427,450	399,665
U.S. Department of Justice	373,645	337,608
Equal Access Funds	370,110	378,929
U.S. Department of Housing and Urban Development	284,338	365,062
County of San Francisco, Department on the Status of Women	254,562	224,306
IOLTA	198,970	221,650
VOCA DV	186,270	-
Santa Clara County Reentry	113,517	-
California Health Benefit Exchange	85,420	152,139
	<u>\$12,056,200</u>	<u>\$10,525,372</u>

11. Donated Services

BayLegal has received significant contributions of non-cash services for the years ended December 31, 2017 and 2016, which is summarized below.

	<u>2017</u>	<u>2016</u>
Contributed services	<u>\$1,811,126</u>	<u>\$2,877,494</u>

12. Employee Benefit Plan

Effective January 1, 2002, BayLegal established a tax-sheltered plan under Internal Revenue Code Section 401(k) available to all permanent employees. BayLegal contributes 4% of the employees' salaries after the completion of the first year of employment with BayLegal. The total amount contributed by BayLegal was \$242,095 and \$215,614 for the years ended December 31, 2017 and 2016, respectively.

continued

BAY AREA LEGAL AID

NOTES TO FINANCIAL STATEMENTS

13. Fair Value Measurements

The table below present transactions measured at fair value during the years ended December 31, 2017 and 2016 on a recurring:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Exchange traded products	\$ 722,530	\$ -	\$ -	\$ 722,530
Bond funds	649,028			649,028
Mutual funds	317,779			317,779
U.S. equity funds	1,045			1,045
	<u>\$1,690,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,690,382</u>
 <u>December 31, 2016</u>				
Exchange traded products	\$ 657,183	\$ -	\$ -	\$ 657,183
Bond funds	637,842			637,842
Mutual funds	273,978			273,978
U.S. equity funds	985			985
	<u>\$1,569,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,569,988</u>

The fair value of exchange traded products, bond funds, mutual funds, and U.S. equity funds has been measured on a recurring basis using quoted prices for identical assets in active market (Level 1 inputs).

The table below present transactions measured at fair value during the years ended December 31, 2017 and 2016 on a non-recurring:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Contributed services	\$ -	\$1,811,126	\$ -	\$1,811,126
Pledged contributions – current year			<u>545,473</u>	<u>545,473</u>
	<u>\$ -</u>	<u>\$1,811,126</u>	<u>\$545,473</u>	<u>\$2,356,599</u>
 <u>December 31, 2016</u>				
Contributed services	\$ -	\$2,877,494	\$ -	\$2,877,494
Pledged contributions – current year			<u>460,607</u>	<u>460,607</u>
	<u>\$ -</u>	<u>\$2,877,494</u>	<u>\$460,607</u>	<u>\$3,338,101</u>

The fair value of contributed 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 – current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and based on evaluating the credit worthiness of the donor (Level 3 inputs).

SUPPLEMENTAL SCHEDULES

BAY AREA LEGAL AID

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2017

Support

Basic grant = \$4,122,146 x 12.5%	\$ 515,258
Total support	<u>515,268</u>

Expenses

Personnel cost

Salaries

Attorneys	437,087
Clerical and other	50,607
Paralegals	10,335
	<u>498,029</u>

Employee benefits	81,281
Payroll taxes	38,747
Total personnel costs	<u>618,057</u>

Non-personnel

Rents	133,733
Professional fees	30,612
Supplies and printing	19,777
Telephone	17,483
Insurance	11,702
Computers, furniture, and equipment	10,847
Library	9,331
Litigation	6,871
Training, meetings, and conferences	6,861
Equipment rental and maintenance	6,309
Dues	6,156
Travel	5,999
Audit	5,302
Postage	4,728
Work study/law students	2,556
Recruitment	2,086
Miscellaneous	770
Total non-personnel	<u>281,123</u>

Total expenses	<u>899,180</u>
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Net PAI expenses over the requirement threshold	<u><u>\$ (383,912)</u></u>
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See independent auditors' report.

BAY AREA LEGAL AID

SCHEDULE OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR LEGAL SERVICES CORPORATION FUNDS
For the year ended December 31, 2017

	Basic Field Grant	Technology	ProBono Innovation Award	Duane Veith Award	Property	Total
Revenue and support						
Government contracts	\$ 4,122,145	\$ (5,888)	\$ 56,022	\$ -	\$ -	\$ 4,172,279
Attorneys fees						-
Interest	186					186
Total revenue and support	<u>4,122,331</u>	<u>(5,888)</u>	<u>56,022</u>	<u>-</u>	<u>-</u>	<u>4,172,465</u>
Expenses						
Salaries and wages	2,271,406	342	58,811			2,330,559
Employee benefits	370,709	24	4,264			374,997
Payroll taxes	176,718	63	5,703			182,484
Total personnel costs	<u>2,818,833</u>	<u>429</u>	<u>68,778</u>	<u>-</u>	<u>-</u>	<u>2,888,040</u>
Rents	609,930					609,930
Professional fees	139,614	2,232				141,846
Equipment rental and maintenance	28,773					28,773
Telephone	79,736		7,731			87,467
Supplies and printing	90,197					90,197
Insurance	53,371					53,371
Training, meetings, and conferences	31,291		2,646	619		34,556
Travel	48,711		142			48,853
Library	42,556					42,556
Audit	24,183					24,183
Postage	21,563					21,563
Computers, furniture, and equipment	49,472					49,472
Depreciation					12,177	12,177
Dues	28,078					28,078
Work study/law students	11,659					11,659
Litigation	31,339					31,339
Recruitment	9,515					9,515
Miscellaneous	3,510	82				3,592
Total expenses	<u>4,122,331</u>	<u>2,743</u>	<u>79,297</u>	<u>619</u>	<u>12,177</u>	<u>4,217,167</u>
Changes in net assets before other changes	-	(8,631)	(23,275)	(619)	(12,177)	(44,702)
Changes in net assets after other changes	-	(8,631)	(23,275)	(619)	(12,177)	(44,702)
Net assets, beginning of year		8,631	23,275	619	16,669	49,194
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,492</u>	<u>\$ 4,492</u>

See independent auditors' report.

BAY AREA LEGAL AID

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2017

<u>Program Name</u>	<u>Contract Number</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Program Expenditures</u>
State Awards				
The State Bar of California – Equal Access Fund:				
Domestic Violence Prevention Project – Regional	Program 93	10/01/2017-12/31/2017	\$ 310,110	\$ 310,110
Total The State Bar of California – Equal Access Fund			<u>310,110</u>	<u>310,110</u>
The State Bar of California – Equal Access Fund Partnership Grants:				
Contra Costa County Housing Law Clinic	Program 93	01/01/2017-12/31/2017	60,000	60,000
Total The State Bar of California – Equal Access Fund Partnership Grant			<u>60,000</u>	<u>60,000</u>
Alameda County Behavioral Health Care Services:				
Alameda County SSI and SSDI Appeals Advocacy Services Projects	900154/PC13438/PO8442	07/01/2015-06/30/2016	1,894,550	1,247,977
Total Alameda County Behavioral Health Care Services			<u>1,894,550</u>	<u>1,247,977</u>
Superior Court of California:				
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-17-D004	07/01/2015-06/30/2016	10,000	5,000
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-18-D002	07/01/2016-06/30/2017	10,000	5,000
Total Superior Court of California			<u>20,000</u>	<u>10,000</u>
State of California Managed Care Funds:				
Pass-through, State of California of Managed Health Care (DMHC), Regional Health Care Access	16MC-SA016	12/01/2016-11/30/2018	850,000	427,450
Total Covered California			<u>850,000</u>	<u>427,450</u>
Alameda County Social Services Agency:				
SSI/SSP or CAPI Benefits Support Services for CalWORKs	900154/PO14233	07/01/2016-06/30/2017	810,000	62,314
SSI/SSP or CAPI Benefits Support Services for CalWORKs	900154/PO15543	07/1/2017-11/30/2017	337,500	118,125
SSI/SSP or CAPI Benefits Support Services for CalWORKs	900154/PO	12/1/2017-06/30/2018	887,500	32,952
Total Alameda County SSA			<u>2,035,000</u>	<u>213,391</u>
Alameda County Probation Dept.				
Community Capacity Fund	9011569/PC15157	07/1/2016-6/30/2017	149,870	19,658
Total Alameda County Probation Dept.			<u>149,870</u>	<u>19,658</u>
Pass-through, Legal Aid Society of San Diego, CCI Ombudsman – Cal MediConnect	MOU	10/01/2016-12/31/2017	102,613	81,484
Total Department of Managed Health Care			<u>102,613</u>	<u>81,484</u>
California Emergency Management Agency:				
Pass-through, Stand! For Families Free of Violence, Domestic Violence Pro Per Clinics		07/01/2016-06/30/2017	20,000	2,339
Pass-through, Stand! For Families Free of Violence, Domestic Violence Pro Per Clinics		07/01/2017-06/30/2018	20,000	5,810
Total California Emergency Management Agency			<u>40,000</u>	<u>8,149</u>
Total State Awards			<u>\$ 5,462,143</u>	<u>\$ 2,378,219</u>

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