

**BAY AREA LEGAL AID**

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**FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL SCHEDULES**

**DECEMBER 31, 2021 and 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Bay Area Legal Aid

### **Opinion**

We have audited the accompanying financial statements of Bay Area Legal Aid (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the year 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 Bay Area Legal Aid as of December 31, 2021 and 2020, 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. 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 Bay Area Legal Aid 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 Bay Area Legal Aid's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## INDEPENDENT AUDITORS' REPORT

continued

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In performing an audit in accordance with generally accepted auditing standards, 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 Bay Area Legal Aid'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 Bay Area Legal Aid's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matter**

#### *Other 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 for 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 25, 2022, on our consideration of Bay Area Legal Aid's internal control over financial reporting and on 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*

Oakland, California  
April 25, 2022

# BAY AREA LEGAL AID

## STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 3,535,078	\$ 2,452,549
Cash held in trust	75,192	93,923
Grants receivable	3,374,909	4,750,620
Pledges receivable (Note 4)	323,112	255,032
Prepaid expenses	97,937	368,714
Other assets	74,943	74,943
Investments (Note 5)	4,871,423	4,686,315
Property and equipment (Note 6)	<u>5,614,499</u>	<u>6,011,402</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,967,093</u></u>	<u><u>\$ 18,693,498</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 447,757	\$ 428,739
Accrued liabilities (Note 7)	1,333,544	1,806,453
Deferred revenue	788,997	1,569,998
Paycheck protection program (Note 8)	1,529,934	2,473,461
Notes payable (Note 9)	<u>3,293,329</u>	<u>3,594,053</u>
<b>TOTAL LIABILITIES</b>	<u>7,393,561</u>	<u>9,872,704</u>
<b>NET ASSETS</b>		
Without donor restrictions	8,245,420	5,824,833
Without donor restrictions - property and equipment (Note 2)	1,744,221	2,114,916
With donor restrictions (Note 11)	<u>583,891</u>	<u>881,045</u>
<b>TOTAL NET ASSETS</b>	<u>10,573,532</u>	<u>8,820,794</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 17,967,093</u></u>	<u><u>\$ 18,693,498</u></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, 2021 and 2020

	December 31, 2021			December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Government contracts (Note 12)	\$ 1,552,132	\$ 16,394,726	\$ 17,946,858	\$ 2,078,580	\$ 15,402,965	\$ 17,481,545
Donated services (Note 13)	5,938,303		5,938,303	6,862,430		6,862,430
Grants		1,642,476	1,642,476		1,654,712	1,654,712
Contributions	1,277,694		1,277,694	1,511,371		1,511,371
Attorney fees	931,391	29,536	960,927	213,650	34,789	248,439
Gain on investments	202,184		202,184	119,395		119,395
Rental income	66,430		66,430	49,822		49,822
Other revenue	961,585		961,585	545,710		545,710
Interest and dividends	3,803	992	4,795	3,733		3,733
Net assets released from restrictions (Note 11)	18,364,884	(18,364,884)	-	16,410,653	(16,410,653)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>29,298,406</u>	<u>(297,154)</u>	<u>29,001,252</u>	<u>27,795,344</u>	<u>681,813</u>	<u>28,477,157</u>
<b>EXPENSES</b>						
Program services	24,513,839		24,513,839	24,929,055		24,929,055
Management and general	1,931,025		1,931,025	1,683,758		1,683,758
Fundraising	803,650		803,650	757,728		757,728
<b>TOTAL EXPENSES</b>	<u>27,248,514</u>	<u>-</u>	<u>27,248,514</u>	<u>27,370,541</u>	<u>-</u>	<u>27,370,541</u>
<b>CHANGE IN NET ASSETS</b>	2,049,892	(297,154)	1,752,738	424,803	681,813	1,106,616
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,939,749</u>	<u>881,045</u>	<u>8,820,794</u>	<u>7,514,946</u>	<u>199,232</u>	<u>7,714,178</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,989,641</u>	<u>\$ 583,891</u>	<u>\$ 10,573,532</u>	<u>\$ 7,939,749</u>	<u>\$ 881,045</u>	<u>\$ 8,820,794</u>

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

**BAY AREA LEGAL AID**

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses
	Housing	Public Benefits	Family Law	Other				
Salaries and wages	\$ 2,839,467	\$ 4,482,420	\$ 1,528,045	\$ 1,833,118	\$ 10,683,050	\$ 1,281,922	\$ 509,002	\$ 12,473,974
Employee benefits	435,603	687,649	234,418	281,219	1,638,889	196,660	78,086	1,913,635
Payroll taxes	217,854	343,908	117,237	140,644	819,643	98,354	39,053	957,050
Total personnel costs	3,492,924	5,513,977	1,879,700	2,254,981	13,141,582	1,576,936	626,141	15,344,659
Donated services (Note 13)				5,938,303	5,938,303			5,938,303
Sub-grants	1,751,129	142,547	32,312		1,925,988			1,925,988
Occupancy	341,535	539,152	183,796	220,490	1,284,973	138,010	69,005	1,491,988
Depreciation	123,172	194,441	66,284	79,518	463,415	49,772	24,886	538,073
Professional fees	116,296	183,586	62,584	75,079	437,545	46,994	23,497	508,036
Telephone	100,972	159,396	54,338	65,186	379,892	40,802	20,401	441,095
Equipment rental and maintenance	57,662	91,026	31,030	37,226	216,944	23,300	11,650	251,894
Supplies	34,020	53,705	18,308	21,963	127,996	13,747	6,874	148,617
Insurance	25,764	40,671	13,865	16,633	96,933	10,411	5,205	112,549
Recruiting, staff relations, and strategic planning	25,599	40,410	13,776	16,526	96,311	10,344	5,172	111,827
Dues and fees	25,064	39,568	13,489	16,182	94,303	10,129	5,064	109,496
Library	22,744	35,904	12,240	14,683	85,571			85,571
Litigation	13,249	20,915	7,130	8,553	49,847			49,847
Client relations	11,920	18,817	6,415	7,696	44,848			44,848
Audit	10,141	16,008	5,457	6,547	38,153	4,098	2,049	44,300
Work study/law students	7,970	12,581	4,289	5,145	29,985			29,985
Postage and delivery	5,072	8,007	2,729	3,274	19,082	2,050	1,025	22,157
Training	4,853	7,661	2,612	3,133	18,259	1,961	981	21,201
Printing and copying	2,872	4,534	1,546	1,854	10,806	1,161	580	12,547
Travel	1,936	3,057	1,042	1,250	7,285	782	391	8,458
Miscellaneous	1,547	2,441	832	998	5,818	528	312	6,658
Advertising and public relations					-		417	417
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b>\$ 6,176,441</b>	<b>\$ 7,128,404</b>	<b>\$ 2,413,774</b>	<b>\$ 8,795,220</b>	<b>\$ 24,513,839</b>	<b>\$ 1,931,025</b>	<b>\$ 803,650</b>	<b>\$ 27,248,514</b>

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

**BAY AREA LEGAL AID**

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

continued

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses
	Housing	Public Benefits	Family Law	Other				
Salaries and wages	\$ 2,853,434	\$ 4,699,505	\$ 1,497,469	\$ 1,679,940	\$ 10,730,348	\$ 1,164,528	\$ 503,301	\$ 12,398,177
Employee benefits	426,547	702,509	223,850	251,127	1,604,033	174,080	75,236	1,853,349
Payroll taxes	221,124	364,183	116,045	130,185	831,537	90,244	39,003	960,784
Total personnel costs	3,501,105	5,766,197	1,837,364	2,061,252	13,165,918	1,428,852	617,540	15,212,310
Donated services (Note 13)				6,862,430	6,862,430			6,862,430
Sub-grants	1,448,757	98,971	31,584		1,579,312			1,579,312
Occupancy	320,452	527,773	168,172	188,664	1,205,061	98,923	53,958	1,357,942
Depreciation	127,876	210,608	67,109	75,286	480,879	39,475	21,532	541,886
Professional fees	98,059	161,499	51,461	57,731	368,750	30,271	16,511	415,532
Telephone	94,581	155,771	49,635	55,684	355,671	29,197	15,926	400,794
Equipment rental and maintenance	57,552	94,786	30,203	33,883	216,424	17,766	9,691	243,881
Supplies	39,717	65,412	20,843	23,383	149,355	12,261	6,688	168,304
Insurance	23,150	38,126	12,149	13,629	87,054	7,146	3,898	98,098
Dues and fees	19,135	31,514	10,042	11,265	71,956	5,907	3,222	81,085
Library	19,975	32,898	10,483	11,760	75,116			75,116
Work study/law students	15,634	25,748	8,204	9,204	58,790			58,790
Audit	10,926	17,995	5,734	6,433	41,088	3,373	1,840	46,301
Litigation	11,380	18,743	5,972	6,700	42,795			42,795
Client relations	10,489	17,275	5,505	6,175	39,444			39,444
Training	8,482	13,970	4,451	4,994	31,897	2,618	1,428	35,943
Recruiting, staff relations, and strategic planning	8,331	13,721	4,372	4,905	31,329	2,572	1,403	35,304
Postage and delivery	6,627	10,915	3,478	3,902	24,922	2,046	1,116	28,084
Travel	5,301	8,731	2,782	3,121	19,935	1,636	893	22,464
Printing and copying	3,525	5,805	1,850	2,075	13,255	1,088	593	14,936
Miscellaneous	2,041	3,361	1,071	1,201	7,674	627	344	8,645
Advertising and public relations					-		1,145	1,145
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 5,833,095</b>	<b>\$ 7,319,819</b>	<b>\$ 2,332,464</b>	<b>\$ 9,443,677</b>	<b>\$ 24,929,055</b>	<b>\$ 1,683,758</b>	<b>\$ 757,728</b>	<b>\$ 27,370,541</b>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,752,738	\$ 1,106,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	538,073	541,886
Reinvested interest and dividends	(4,795)	(3,733)
Unrealized (gain) on investments	(202,184)	(119,395)
(Increase) decrease in operating assets:		
Cash held in trust	18,731	(39,047)
Grants receivable	1,375,711	(1,392,423)
Pledges receivable	(68,080)	237,385
Prepaid expenses	270,777	127,261
Other assets	-	-
Increase (decrease) in operating liabilities:		
Accounts payable	19,018	165,864
Accrued liabilities	(472,909)	420,485
Deferred revenue	(781,001)	461,074
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,446,079</u>	<u>1,505,973</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	40,000	-
Purchase of investments	(18,129)	(2,518,390)
Purchase of property and equipment	(141,170)	(319,701)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(119,299)</u>	<u>(2,838,091)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on notes payable	(300,724)	(361,170)
Proceeds from paycheck protection program loan	-	2,473,461
Payments on paycheck protection program loan	(943,527)	-
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(1,244,251)</u>	<u>2,112,291</u>
<b>NET INCREASE IN CASH</b>	<b>1,082,529</b>	<b>780,173</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>2,452,549</u>	<u>1,672,376</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 3,535,078</u></u>	<u><u>\$ 2,452,549</u></u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflects interest paid of:	<u>\$ 182,548</u>	<u>\$ 198,727</u>
Non-cash financing activities:		
Notes payable paid-off from refinancing of debt:	<u><u>\$ 3,200,000</u></u>	<u><u>\$ -</u></u>

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

# BAY AREA LEGAL AID

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**With Donor Restrictions.** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# BAY AREA LEGAL AID

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

Per the Accounting Guide for Legal Services Corporations (“LSC”) Recipients, LSC grant and contract funds should be recognized, classified and reported in the recipient’s financial statements as with donor restrictions and increases to with donor restrictions net assets. With donor restrictions LSC net assets can be released with or without donor restrictions net assets only when eligible expenses are incurred.

#### **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 (loss) 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

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### 2. Summary of Significant Accounting Policies, continued

The primary receivable balance outstanding at December 31, 2021 and 2020 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 LSC assets and one thousand 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 "without donor restrictions – 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.

#### Revenue and Revenue Recognition

BayLegal recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a 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 substantially met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

## **BAY AREA LEGAL AID**

### NOTES TO FINANCIAL STATEMENTS

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#### **2. Summary of Significant Accounting Policies, continued**

##### **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.

##### **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 13).

##### **Subsequent Events**

Management has evaluated subsequent events through April 25, 2022, 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 the financial statements.

## BAY AREA LEGAL AID

### NOTES TO FINANCIAL STATEMENTS

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#### 3. Liquidity and Availability of Resources

BayLegal regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of liquidity management, BayLegal has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. BayLegal has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, BayLegal considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments. The Finance Committee of the Board of Trustees meets quarterly to review all financial aspects of the organization and meets on an as-needed basis with BayLegal's investments advisors to review investment results, assess risk, and make recommendations for changes as needed.

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,535,078	\$ 2,452,549
Grants receivable	3,374,909	4,750,620
Pledges receivable	323,112	255,032
Investments	<u>4,871,423</u>	<u>4,686,315</u>
	<u>\$12,104,522</u>	<u>\$12,144,516</u>

#### 4. 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, 2021 and 2020 of \$323,112 and \$255,032, respectively, are expected to be collected within one year.

#### 5. Investments

Investments at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Money market	\$2,713,707	\$2,697,531
Exchange traded	1,005,355	849,791
Bond funds	739,201	722,216
Mutual funds	412,126	397,298
Equities	<u>1,034</u>	<u>19,479</u>
	<u>\$4,871,423</u>	<u>\$4,686,315</u>

continued

## BAY AREA LEGAL AID

### NOTES TO FINANCIAL STATEMENTS

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#### 6. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consist of the following:

	<u>Non-LSC</u>	<u>LSC</u>	<u>Total</u>
<u>December 31, 2021</u>			
Building	\$ 6,692,445	\$ -	\$ 6,692,445
Furniture and equipment	528,472	11,376	539,848
Land	1,249,500		1,249,500
Computer equipment	455,524	93,960	549,484
Leasehold improvements	1,398,594		1,398,594
Law library	186,485		186,485
Software	<u>301,792</u>		<u>301,792</u>
	10,812,812	105,336	10,918,148
Less: accumulated depreciation	<u>(5,212,951)</u>	<u>(90,698)</u>	<u>(5,303,649)</u>
	<u>\$ 5,599,861</u>	<u>\$ 14,638</u>	<u>\$ 5,614,499</u>
 <u>December 31, 2020</u>			
Building	\$ 6,692,445	\$ -	\$ 6,692,445
Furniture and equipment	528,472	11,376	539,848
Land	1,249,500		1,249,500
Computer equipment	354,307	93,960	448,267
Leasehold improvements	1,398,594		1,398,594
Law library	186,485		186,485
Software	<u>261,839</u>		<u>261,839</u>
	10,671,642	105,336	10,776,978
Less: accumulated depreciation	<u>(4,683,301)</u>	<u>(82,275)</u>	<u>(4,765,576)</u>
	<u>\$ 5,988,341</u>	<u>\$ 23,061</u>	<u>\$ 6,011,402</u>

#### 7. Accrued Liabilities

Accrued liabilities at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Accrued vacation	\$ 968,390	\$ 950,973
Accrued salaries	270,020	749,472
Client trust fund	75,605	94,075
Other accrued liabilities	<u>19,529</u>	<u>11,933</u>
	<u>\$1,333,544</u>	<u>\$1,806,453</u>

continued

## BAY AREA LEGAL AID

### NOTES TO FINANCIAL STATEMENTS

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#### 8. Paycheck Protection Program Loan

On April 8, 2020, BayLegal received loan proceeds in the amount of \$2,473,461 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The unforgiven portion of the PPP loan is payable over one year at an interest rate of 1%. BayLegal is making monthly payments of \$314,509, the loan matures on May 2022.

#### 9. Notes Payable

Notes payable at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Note payable to a bank, secured by a first deed of trust, interest at 3.850%, monthly payments of \$32,255, due March 2023.	<b>\$3,200,000</b>	\$3,057,217
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, has been refinanced to the West America Notes Payable.	<b>93,329</b>	386,878
Note payable to a corporation, secured by a first deed of trust, interest at 2.50%, quarterly payments of \$15,617, due February 2023, has been reclassified to the West America Notes Payable.	<u>-</u>	<u>149,958</u>
	<b><u>\$3,293,329</u></b>	<b><u>\$3,594,053</u></b>

Maturities for notes payable are as follows:

<u>Year ending December 31,</u>	
2022	\$ 295,296
2023	341,307
2024	289,851
2025	301,209
2026	313,013
Thereafter	<u>1,752,653</u>
	<b><u>\$3,293,329</u></b>

continued



# BAY AREA LEGAL AID

## NOTES TO FINANCIAL STATEMENTS

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### 10. 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:

<u>Year ending December 31,</u>	
2022	\$ 870,592
2023	718,268
2024	612,737
2025	527,348
Thereafter	<u>362,646</u>
	<u>\$3,091,591</u>

Rent expense under operating leases for the years ended December 31, 2021 and 2020 was \$1,190,013 and \$1,038,559, 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.

#### Impact of COVID-19 Virus

Like other businesses and nonprofits, BayLegal has been affected by the novel strain of coronavirus ("COVID-19"). In March 2020, the World Health Organization declared COVID-19 a global pandemic. On March 16, 2020, in compliance with state and local shelter-in-place orders and to protect BayLegal staff, clients and our community, BayLegal closed all physical offices to the public and transitioned all operations and services to remote. Throughout 2021, BayLegal staff and services remained primarily remote and limited public access to our physical offices.

The primary financial impact of COVID-19 in 2021 was the impact on filling budgeted positions. There were delays in being able to fill vacancies and some positions remained vacant throughout the year due to a difficult and shifting job and salary market (including positions in IT, finance, and human resources which remained vacant for long periods or throughout the year). The continued disruption in everyone's lives also resulted in some reduced staffing as employees reducing schedules or took leaves.

Given the additional revenue risks and uncertainty due to COVID-19 in addition to BayLegal's pre-existing projected deficit, BayLegal faced significant financial uncertainty that made a PPP loan necessary to support ongoing operations.

continued

## BAY AREA LEGAL AID

### NOTES TO FINANCIAL STATEMENTS

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#### 11. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Non-LSC	\$569,253	\$857,983
Property purchased with funds from LSC	<u>14,638</u>	<u>23,062</u>
	<u>\$583,891</u>	<u>\$881,045</u>

For the years ended December 31, 2021 and 2020, net assets released from donor restrictions were \$18,364,884 and \$16,410,653, respectively.

#### 12. Government Contracts

Government contracts for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Legal Service Corporation	\$ 4,773,526	\$ 4,517,741
San Francisco Mayor's Office of Housing and Community Development	3,651,867	2,939,167
Other	1,590,613	2,054,467
Alameda County Behavioral Health Care Services	1,336,382	1,212,248
Alameda County Social Services Agency CALWORKs Grant	1,269,358	1,213,663
Alameda County Health Care Services Agency	1,187,590	1,508,166
San Francisco Department of Human Services	765,771	379,781
Contra Costa County MLP/ AB109	423,623	432,066
State of California, Department of Managed Health Care	422,703	382,962
IOLTA	361,420	867,030
County of San Francisco, Department on the Status of Women	332,454	304,405
Equal Access Funds	322,260	366,908
U.S. Department of Housing and Urban Development	303,293	99,383
Homeless Prevention	203,882	243,525
Victims of Crime (VOCA)	203,201	202,862
Santa Clara County Fund for Legal Services	180,114	196,614
Santa Clara County Office of Immigrant Relations	173,873	178,159
Anti-Displacement ADCIP	162,932	75,161
Covenant House Dream Catcher	120,000	120,000
City of San Jose CDBG	118,382	87,686
U.S Department of Justice	<u>43,614</u>	<u>99,551</u>
	<u>\$17,946,858</u>	<u>\$17,481,545</u>

continued

## BAY AREA LEGAL AID

### NOTES TO FINANCIAL STATEMENTS

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#### 13. Donated Services

BayLegal has received contributions of non-cash services for the years ended December 31, 2021 and 2020, as summarized below.

	<u>2021</u>	<u>2020</u>
Contributed services	<u>\$5,938,303</u>	<u>\$6,862,430</u>

The contributed services recognized are comprised of professional services provided from attorneys. Contributed services are reported at the estimated fair value based on current rates for similar legal services.

#### 14. 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 \$410,855 and \$399,581 for the years ended December 31, 2021 and 2020, respectively.

#### 15. Fair Value Measurements

The table below present transactions measured at fair value during the years ended December 31, 2021 and 2020 on a recurring:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Exchange traded products	\$1,005,355	\$ -	\$ -	\$1,005,355
Bond funds	739,201			739,201
Mutual funds	412,126			412,126
U.S. equity funds	1,034			1,034
	<u>\$2,157,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,157,716</u>
<u>December 31, 2020</u>				
Exchange traded products	\$ 849,791	\$ -	\$ -	\$ 849,791
Bond funds	722,216			722,216
Mutual funds	397,298			397,298
U.S. equity funds	19,479			19,479
	<u>\$1,988,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,988,784</u>

**SUPPLEMENTAL SCHEDULES**

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## BAY AREA LEGAL AID

### SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2021

#### Support

Basic grant = \$4,773,526 x 12.5%	\$	596,691
<b>Total support</b>		<u>596,691</u>

#### Expenses

##### Personnel cost

##### Salaries

Attorneys	385,511
Paralegals	8,273
Clerical and other	2,373
	<u>396,157</u>

Employee benefits	30,424
Payroll taxes	61,303
<b>Total personnel costs</b>	<u>487,884</u>

Rents	53,427
Professional fees	30,643
Telephone	22,759
Supplies and printing	15,488
Recruitment	7,040
Insurance	5,351
Library	5,210
Dues	4,926
Audit	4,347
Work study/Law students	3,347
Postage	1,941
Equipment rental and maintenance	1,253
Training, meetings, and conferences	620
Litigation	294
Miscellaneous	105
Travel	35

<b>Total non-personnel</b>	<u>156,786</u>
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<b>Total expenses</b>	<u>644,670</u>
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<b>Net PAI expenses over the requirement threshold</b>	<u>\$</u> <u>47,979</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, 2021

	<u>Legal Service Corporation</u>	<u>LSC Probono Initiative</u>	<u>LSC COVID Response</u>	<u>Property</u>	<u>Total</u>
<b>Revenue and support</b>					
Government contracts	\$ 4,773,526	\$ 69,320	\$ 111,381	\$ -	\$ 4,954,227
Attorneys fees	29,536				29,536
Interest Income	992				992
<b>Total revenue and support</b>	<u>4,804,054</u>	<u>69,320</u>	<u>111,381</u>	<u>-</u>	<u>4,984,755</u>
<b>Expenses</b>					
Salaries and wages	3,148,614	66,419	91,155		3,306,188
Employee benefits	483,029	10,305	11,071		504,405
Payroll taxes	241,573	5,629	7,604		254,806
<b>Total personnel costs</b>	<u>3,873,216</u>	<u>82,353</u>	<u>109,830</u>	<u>-</u>	<u>4,065,399</u>
Rents	424,631	459	665		425,755
Professional fees	243,550		281		243,831
Telephone	180,890	308	605		181,803
Supplies and printing	123,101				123,101
Recruitment	55,926				55,926
Insurance	42,526				42,526
Library	41,410				41,410
Dues	39,153				39,153
Audit	34,547				34,547
Work study/Law students	26,603				26,603
Postage	15,429				15,429
Equipment rental and maintenance	9,960				9,960
Depreciation				8,423	8,423
Training, meetings, and conferences	5,144				5,144
Travel	5,404				5,404
Miscellaneous	2,851				2,851
Litigation	2,337				2,337
<b>Total expenses</b>	<u>5,126,678</u>	<u>83,120</u>	<u>111,381</u>	<u>8,423</u>	<u>5,329,602</u>
<b>Changes in net assets</b>	(322,624)	(13,800)	-	(8,423)	(344,847)
<b>Net assets, beginning of year</b>	<u>322,624</u>	<u>25,448</u>		<u>23,061</u>	<u>371,133</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ 11,648</u>	<u>\$ -</u>	<u>\$ 14,638</u>	<u>\$ 26,286</u>

See independent auditors' report.

**BAY AREA LEGAL AID**

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the year ended December 31, 2021

<u>Program Name</u>	<u>Contract Number</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Program Expenditures</u>
<b>State Awards</b>				
The State Bar of California – Equal Access Fund ("EAF"):				
Domestic Violence Prevention Project – Regional	Program 93	01/01/21 - 12/31/21	\$ 322,260	\$ 322,260
The State Bar of California – EAF:				
Homeless Prevention	Program 93	10/01/19 - 06/30/21	318,452	72,294
The State Bar of California – EAF:				
Homeless Prevention 2	Program 93	01/01/21 - 12/31/23	394,764	131,588
<b>Total The State Bar of California – EAF</b>			<u>1,035,476</u>	<u>526,142</u>
The State Bar of California – Bank grant				
Pass-through, East Bay Community Law Center, Provide legal services to consumers		01/01/20 - 12/31/22	180,000	58,085
<b>Total The State Bar of California</b>			<u>180,000</u>	<u>58,085</u>
Alameda County Behavioral Health Care Services:				
Alameda County Behavior Health SSI/SSDI Advocacy, Legal Services for Probation Youth, Reentry Civil Legal Services	900154/PC19853	07/01/20 - 06/30/21	1,246,400	524,477
Alameda County Behavior Health SSI/SSDI Advocacy, Legal Services for Probation Youth, Reentry Civil Legal Services	900154/PC19853	07/01/21 - 06/30/22	1,246,400	619,466
<b>Total Alameda County Behavioral Health Care Services</b>			<u>2,492,800</u>	<u>1,143,943</u>
Superior Court of California:				
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-20-D016	09/15/20 - 06/30/21	7,917	3,959
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-21-D002	07/01/21 - 06/30/22	10,000	5,000
<b>Total Superior Court of California</b>			<u>17,917</u>	<u>8,959</u>
State of California Managed Care Funds:				
Pass-through, State of California's Department of Managed Health Care ("DMHC"), Regional Health Care Access	19MCSA012	12/01/19 - 12/31/22	1,310,417	422,703
<b>Total State of California Managed Care Funds</b>			<u>1,310,417</u>	<u>422,703</u>
Alameda County Social Services Agency ("SSA"):				
Alameda County SSA Calworks Advocacy Grant	900154	01/01/21 - 12/31/21	1,300,000	444,275
<b>Total Alameda County SSA</b>			<u>1,300,000</u>	<u>444,275</u>
Department Human Services Agency:				
Client Advocacy and Individualized Legal Support Services to CalWorks, PAES and ABAWD	G-100 (9-15; HSA)	07/01/18 - 06/30/21	134,619	19,465
Individualized Legal Support Services (ILSS)	G-100 (4-15;1000022061)	07/01/21 - 06/30/23	62,492	17,194
SSI Advocacy Services (SSI Advocacy Pilot and HDAP SSI Advocacy program)	G-100 (9-15;1000022085)	07/01/21 - 06/30/23	27,150	16,820
<b>Total Department of Human Services Agency</b>			<u>224,261</u>	<u>53,479</u>
Contra Costa County Probation Department:				
Contra Costa County Probation Free Legal Service		07/01/21 - 06/30/22	95,000	47,500
<b>Total Contra Costa County Probation Department</b>			<u>95,000</u>	<u>47,500</u>
Department of Health Care:				
Pass - through, County of Alameda, Health Care Services Agency, Alameda County Care Connect Grant-Alameda Whole Person Care: Housing Legal Services for Medi-Cal Individuals	Procurement Contract 15766	01/01/21 - 12/31/21	355,000	355,000
Pass-through, Contra Costa County, Contra Costa Health Services, Public Health Division Grant-Contra Costa Whole Person Care: Civil Legal Services	72-102-1	07/01/17 - 02/28/21	1,050,000	28,677
Pass-through, Contra Costa County, Contra Costa Health Services, Public Health Division Grant-Contra Costa Whole Person Care: Legal Services for County residents participating in Community Connect Program	72-102-2	03/01/21 - 12/31/21	300,000	228,311
<b>Total Department of Managed Health Care</b>			<u>1,705,000</u>	<u>611,988</u>
Department of Managed Health Care				
Pass-through, Legal Aid Society of San Diego, CCI Ombudsman - Cal MediConnect	MOU	07/01/20 - 06/30/23	248,290	95,523
<b>Total Department of Managed Health Care</b>			<u>248,290</u>	<u>95,523</u>
California Office of Emergency Services				
CAL OES Human Trafficking Victim Assistance Program		10/01/20 - 03/31/21	7,500	7,500
Pass-through, Stand! For Families Free of Violence, Domestic Violence Pro Per Clinics		07/01/20 -06/30/21	20,000	8,353
Domestic Violence Pro Per Clinics		07/01/21 -06/30/22	20,000	9,191
Pass-through, Bill Wilson Center 2020 - 2021 Homeless Youth and Emergency Services Housing (YE) Grant		04/01/21 - 12/31/21	105,109	82,457
<b>Total Domestic Violence Pro Per Clinics</b>			<u>152,609</u>	<u>107,501</u>
<b>Total State Awards</b>			<u>\$ 8,761,770</u>	<u>\$ 3,520,098</u>