Bay Area Legal Aid

Financial Statements and
Supplementary Schedules

December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
Bay Area Legal Aid

Opinion

We have audited the financial statements of Bay Area Legal Aid (BayLegal), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BayLegal as of December 31, 2023, and the change 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BayLegal and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the opening balance the BayLegal's net assets deferred revenue, grants receivable, right of use asset, and lease liability as of January 1, 2023, have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of BayLegal, as of and for the year ended December 31, 2022, were audited by other auditors, whose report, dated April 24, 2023, expressed an unmodified opinion on those statements.

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 BayLegal's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 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 GAAS and *Government 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 BayLegal'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 BayLegal'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, the schedule of private attorney involvement (PAI) compliance, the schedule of support, revenue, expenses and changes in net assets for Legal Service Corporation Funds, and the schedule of expenditure 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 May 24, 2024 on our consideration of the BayLegal'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 the BayLegal'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 BayLegal's internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California
May 24, 2024

		2023		2022 (as restated)
Assets				
Cash	$	1,232,171	$	1,729,243
Cash held in trust		49,904		100,993
Grants receivable		6,070,725		3,501,681
Pledges receivable (Note 5)		277,335		304,415
Prepaid expenses		131,014		59,082
Other assets		102,939		102,939
Investments (Note 6)		6,620,941		6,155,364
Property and equipment, net (Note 7)		4,787,533		5,250,026
Right of use assets (Note 11)		4,672,059		5,518,717
Total assets	$	23,944,621	$	22,722,460
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	913,362	$	662,350
Accrued liabilities (Note 8)		1,716,024		1,526,346
Deferred revenue		40,230		43,422
Lease liability, operating leases (Note 11)		5,185,912		5,722,128
Notes payable (Note 10)		2,682,041		2,972,916
Total liabilities		10,537,569		10,927,162
Net Assets				
Without donor restrictions		11,715,109		10,692,643
Without donor restrictions, property and equipment (Note 2)		136,803		599,297
With donor restrictions (Note 13)		1,555,140		503,358
Total net assets		13,407,052		11,795,298
Total liabilities and net assets	$	23,944,621	$	22,722,460

See notes to financial statements

Bay Area Legal Aid

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue And Support						
Government contracts (Note 14)	$ 2,059,044	$ 23,111,239	$ 25,170,283	$ 2,228,394	$ 18,727,151	$ 20,955,545
Donated services (Note 15)	6,925,822	-	6,925,822	5,537,136	-	5,537,136
Paycheck protection program loan forgiveness	-	-	-	2,481,861	-	2,481,861
Grants	-	2,036,618	2,036,618	-	1,446,199	1,446,199
Contributions	885,382	300,000	1,185,382	996,616	270,000	1,266,616
Other revenue	535,618	-	535,618	639,097	-	639,097
Attorney fees	132,305	-	132,305	231,030	-	231,030
Rental income	114,364	-	114,364	99,645	-	99,645
Interest and dividends	116,807	6,350	123,157	5,676	553	6,229
(Loss) gain on investments	191,924	-	191,924	(212,741)	-	(212,741)
Net assets released from restrictions (Note 13)	24,402,425	(24,402,425)	-	21,265,310	(21,265,310)	-
Total revenue and support	35,363,691	1,051,782	36,415,473	33,272,024	(821,407)	32,450,617
Expenses						
Program services	30,645,136	-	30,645,136	28,466,832	-	28,466,832
Management and general	3,231,181	-	3,231,181	2,621,004	-	2,621,004
Fundraising	927,402	-	927,402	881,889	-	881,889
Total expenses	34,803,719	-	34,803,719	31,969,725	-	31,969,725
Change in Net Assets	559,972	1,051,782	1,611,754	1,302,299	(821,407)	480,892
Net Assets, Beginning (As Restated)	11,291,940	503,358	11,795,298	9,989,641	1,324,765	11,314,406
Net Assets, Ending	$ 11,851,912	$ 1,555,140	$ 13,407,052	$ 11,291,940	$ 503,358	$ 11,795,298

See notes to financial statements

Bay Area Legal Aid

Statements of Functional Expenses
Year Ended December 31, 2023

	Housing	Public Benefits	Family Law	Other	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 4,113,059	$ 5,549,994	$ 1,737,295	$ 1,834,238	$ 13,234,586	$ 2,267,202	$ 630,374	$ 16,132,162
Employee benefits	634,162	855,712	267,861	282,807	2,040,542	349,562	97,193	2,487,297
Payroll taxes	328,543	443,322	138,771	146,515	1,057,151	181,099	50,353	1,288,603
Total personnel costs	5,075,764	6,849,028	2,143,927	2,263,560	16,332,279	2,797,863	777,920	19,908,062
Donated services (Note 15)	-	-	-	6,925,822	6,925,822	-	-	6,925,822
Sub-grants	3,223,472	152,585	35,000	-	3,411,057	-	-	3,411,057
Occupancy	470,652	635,079	198,796	209,890	1,514,417	177,027	60,213	1,751,657
Telephone	164,465	221,923	69,468	73,344	529,200	61,861	21,041	612,102
Depreciation	151,196	204,018	63,863	67,427	486,504	56,870	19,343	562,717
Professional fees	137,308	185,278	57,997	61,233	441,816	51,645	17,567	511,028
Insurance	41,202	55,597	17,403	18,375	132,577	15,498	5,271	153,346
Equipment rental and maintenance	33,516	45,225	14,157	14,947	107,845	12,606	4,288	124,739
Supplies	39,573	53,398	16,715	17,647	127,333	14,884	5,063	147,280
Dues and fees	30,685	41,405	12,961	13,684	98,735	11,542	3,926	114,203
Library	29,200	39,401	12,334	13,022	93,957	-	-	93,957
Training	20,857	28,143	8,810	9,301	67,111	7,845	2,668	77,624
Client relations	23,197	31,301	9,798	10,344	74,640	-	-	74,640
Recruiting and staff relations	21,228	28,644	8,966	9,467	68,305	7,984	2,716	79,005
Litigation	19,533	26,356	8,250	8,711	62,850	-	-	62,850
Audit	14,402	19,433	6,083	6,422	46,340	5,417	1,843	53,600
Internships - law students	11,692	15,777	4,939	5,214	37,622	-	-	37,622
Travel	10,880	14,682	4,596	4,852	35,010	4,093	1,392	40,495
Printing and copying	7,331	9,893	3,097	3,269	23,590	2,757	938	27,285
Postage and delivery	6,569	8,864	2,775	2,930	21,138	2,472	840	24,450
Miscellaneous	2,172	2,930	917	969	6,988	817	278	8,083
Advertising and public relations	-	-	-	-	-	-	2,095	2,095
Total 2023 functional expenses	$ 9,534,894	$ 8,668,960	$ 2,700,852	$ 9,740,430	$ 30,645,136	$ 3,231,181	$ 927,402	$ 34,803,719

Bay Area Legal Aid

Statements of Functional Expenses (As Restated)
Year Ended December 31, 2022

	Housing	Public Benefits	Family Law	Other	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 4,220,211	$ 5,032,705	$ 1,773,469	$ 2,004,955	$ 13,031,340	$ 1,808,666	$ 574,745	$ 15,414,751
Employee benefits	673,250	802,867	282,921	319,851	2,078,889	288,537	91,689	2,459,115
Payroll taxes	346,606	413,336	145,655	164,666	1,070,263	148,545	47,204	1,266,012
Total personnel costs	5,240,067	6,248,908	2,202,045	2,489,472	16,180,492	2,245,748	713,638	19,139,878
Donated services (Note 15)	-	-	-	5,537,136	5,537,136	-	-	5,537,136
Sub-grants	2,647,955	156,967	33,584	-	2,838,506	-	-	2,838,506
Occupancy	492,039	586,769	206,770	233,761	1,519,339	163,131	55,282	1,737,752
Telephone	153,228	182,729	64,392	72,796	473,145	50,802	17,216	541,163
Depreciation	146,369	174,549	61,509	69,537	451,964	48,528	16,445	516,937
Professional fees	109,050	130,045	45,826	51,808	336,729	36,155	12,252	385,136
Supplies	45,245	53,956	19,013	21,495	139,709	15,001	5,083	159,793
Internships, law students	50,961	60,772	21,415	24,210	157,358	-	-	157,358
Equipment rental and maintenance	41,401	49,372	17,398	19,669	127,840	13,726	4,652	146,218
Dues and fees	36,517	43,547	15,346	17,348	112,758	12,107	4,103	128,968
Insurance	32,799	39,114	13,783	15,582	101,278	10,874	3,685	115,837
Recruiting, staff relations, and strategic planning	29,364	35,018	12,340	13,950	90,672	9,736	3,299	103,707
Library	32,029	38,196	13,460	15,217	98,902	-	-	98,902
Client relations	27,125	32,348	11,399	12,887	83,759	-	-	83,759
Litigation	24,527	29,249	10,307	11,653	75,736	-	-	75,736
Audit	14,667	17,491	6,163	6,968	45,289	4,863	1,648	51,800
Training	14,179	16,908	5,958	6,736	43,781	4,701	1,593	50,075
Advertising and public relations	-	-	-	-	-	-	41,085	41,085
Travel	7,142	8,517	3,001	3,393	22,053	2,368	802	25,223
Postage and delivery	5,100	6,082	2,143	2,423	15,748	1,692	573	18,013
Printing and copying	2,446	2,917	1,028	1,161	7,552	811	275	8,638
Miscellaneous	2,295	2,737	964	1,090	7,086	761	258	8,105
Total 2022 functional expenses	$ 9,154,505	$ 7,916,191	$ 2,767,844	$ 8,628,292	$ 28,466,832	$ 2,621,004	$ 881,889	$ 31,969,725

See notes to financial statements

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Change in net assets	$ 1,611,754	$ 480,892
Adjustments to reconcile change in net assets to net cash from operating activities:		
Paycheck protection program loan forgiveness	-	(2,481,861)
Depreciation	562,717	516,937
Reinvested interest and dividends	(123,157)	(6,223)
Unrealized loss (gain) on investments	(191,924)	212,741
Noncash lease expense	846,658	1,321,301
(Increase) decrease in operating assets:		
Grants receivable	(2,569,044)	(26,772)
Pledges receivable	27,080	18,697
Prepaid expenses	(71,932)	38,855
Other assets	-	(27,996)
Increase (decrease) in operating liabilities:		
Accounts payable	251,012	214,593
Accrued liabilities	189,678	192,802
Deferred revenue	(3,192)	(104,701)
Lease liability	(536,216)	(1,117,890)
Net cash from operating activities	(6,566)	(768,625)
Cash Flows From Investing Activities		
Sale of investments	8,559,590	1,023,034
Purchase of investments	(8,710,110)	(2,513,493)
Purchase of property and equipment	(100,200)	(152,464)
Net cash from investing activities	(250,720)	(1,642,923)
Cash Flows From Financing Activities		
Principal payments on notes payable	(290,875)	(320,413)
Proceeds from Paycheck Protection Program loan	-	2,481,861
Payments on Paycheck Protection Program loan	-	(1,529,934)
Net cash from financing activities	(290,875)	631,514
Net change in cash	(548,161)	(1,780,034)
Cash and Restricted Cash, Beginning	1,830,236	3,610,270
Cash and Restricted Cash, Ending	$ 1,282,075	$ 1,830,236
Reconciliation of Totals in the Statement of Cash Flows Related Captions in the Statements of Financial Position		
Cash	$ 1,232,171	$ 1,729,243
Cash held in trust	49,904	100,993
Total cash, cash equivalents and restricted cash	$ 1,282,075	$ 1,830,236

See 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.

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.

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.

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 from restrictions only when eligible expenses are incurred.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, BayLegal considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of amounts held in trust for clients.

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, noncash 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.

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". As of December 31, 2023 and 2022, these assets amounted to $136,803 and $599,297, respectively.

Leases

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

BayLegal has made the following accounting policy elections with regard to its lease accounting:

- When the rate implicit in the lease is not determinable, rather than use BayLegal's incremental borrowing rate, BayLegal elected to use a free-risk discount rate for the initial and subsequent measurement of lease liabilities.

- BayLegal elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which BayLegal is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

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 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.

Per the LSC Program Letter 20-4 and in conjunction with 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 these grants are deemed nonexchange/contributions with conditions. BayLegal, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned.

Contributions of donated noncash assets are measured on a nonrecurring 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 nonrecurring basis and recorded at fair value in the period received (see Note 15).

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.

Subsequent Events

Management has evaluated subsequent events through May 24, 2024, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Restatement

BayLegal did not recognize revenue for several unconditional grants made in the previous year. Accordingly, BayLegal adjusted their beginning net assets, ending net assets, beginning grants receivable, and beginning deferred revenue balance as of January 1, 2023. Additionally, BayLegal did not account for the right-of-use asset, lease liability, or rent expense accurately in accordance with ASC 842. Accordingly, BayLegal adjusted their beginning net assets, beginning right-of-use assets, and beginning lease liability as of January 1, 2023.

The impacted balances as originally stated and as restated are as follows:

	As Originally Stated	As Restated
Grants receivable	$ 3,231,681	$ 3,501,681
Right of use asset	2,748,153	5,518,717
Deferred revenue	627,828	43,422
Lease liability	2,748,153	5,722,128
Net assets with donor restrictions, beginning	583,891	1,324,765
Net assets with donor restrictions, ending	119,826	503,358
Net assets without donor restrictions, ending	11,024,477	11,291,940

4. 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 Directors 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, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	$ 1,232,171	$ 1,729,243
Grants receivable	6,070,725	3,501,681
Pledges receivable	277,335	304,415
Investments	6,620,941	6,155,364
Total	$ 14,201,172	$ 11,690,703

5. Pledges Receivable

Pledges receivables 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, 2023 and 2022 of $277,335 and $304,415, respectively, are expected to be collected within one year.

6. Investments

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

	2023	2022
Money market	$ 4,442,014	$ 4,182,639
Exchange traded	1,065,900	930,477
Bond funds	749,452	720,270
Mutual funds	363,575	321,978
Total	$ 6,620,941	$ 6,155,364

The table below present transactions measured at fair value during the years ended December 31, 2023 and 2022 on a recurring:

	2023			
	Level 1	Level 2	Level 3	Total
Money market	$ 4,442,014	$ -	$ -	$ 4,442,014
Exchange traded product	1,065,900	-	-	1,065,900
Bond funds	749,452	-	-	749,452
Mutual funds	363,575	-	-	363,575
Total	$ 6,620,941	$ -	$ -	$ 6,620,941

	2022			
	Level 1	Level 2	Level 3	Total
Money market	$ 4,182,639	$ -	$ -	$ 4,182,639
Exchange traded products	930,477	-	-	930,477
Bond funds	720,270	-	-	720,270
Mutual funds	321,978	-	-	321,978
Total	$ 6,155,364	$ -	$ -	$ 6,155,364

7. Property and Equipment

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

	2023		
	Non-LSC	LSC	Total
Building	$ 6,739,671	$ -	$ 6,739,671
Furniture and equipment	528,472	11,376	539,848
Land	1,249,500	-	1,249,500
Computer equipment	559,325	93,960	653,285
Leasehold improvements	1,041,369	-	1,041,369
Law library	186,485	-	186,485
Software	254,695	-	254,695
	10,559,517	105,336	10,664,853
Less accumulated depreciation	(5,771,984)	(105,336)	(5,877,320)
Total	$ 4,787,533	$ -	$ 4,787,533

	2022		
	Non-LSC	LSC	Total
Building	$ 6,716,681	$ -	$ 6,716,681
Furniture and equipment	528,472	11,376	539,848
Land	1,249,500	-	1,249,500
Computer equipment	511,511	93,960	605,471
Leasehold improvements	1,016,510	-	1,016,510
Law library	186,485	-	186,485
Software	250,135	-	250,135
	10,459,294	105,336	10,564,630
Less accumulated depreciation	(5,215,543)	(99,061)	(5,314,604)
Total	$ 5,243,751	$ 6,275	$ 5,250,026

8. Accrued Liabilities

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

	2023	2022
Accrued vacation	$ 1,143,660	$ 1,037,316
Accrued salaries	410,521	262,417
Other accrued liabilities	111,939	125,620
Client trust fund	49,904	100,993
Total	$ 1,716,024	$ 1,526,346

9. Paycheck Protection Program Loan

In April 2020, BayLegal received loan proceeds in the amount of $2,473,461 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities.

During the year ended December 31, 2022, BayLegal made payments of $1,529,934 on the PPP loan while waiting for formal approval of the loan forgiveness application.

BayLegal met the PPP's loan forgiveness requirements and therefore, applied for forgiveness in May 2022 and legal release was received. Accordingly, the PPP loan and accrued interest has been forgiven in full and a $2,481,861 revenue on forgiveness of PPP loan has been recorded in the accompanying statement of activities for the year ended December 31, 2022. BayLegal received a full refund on the previous payments.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. Among other factors, loan eligibility is contingent upon economic uncertainty and necessity. The determination of necessity includes access to liquidity available to support the ongoing operations of the Institute.

10. Notes Payable

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

	2023	2022
Note payable to a bank, secured by a first deed of trust, interest at 3.850%, monthly payments of $32,255, due December 2031.	$ 2,655,532	$ 2,933,043
Note payable to a corporation, secured by a first deed of trust, interest at 2.50%, quarterly payments of $15,617, due June 30, 2024	26,509	39,873
Total	$ 2,682,041	$ 2,972,916

Maturities for notes payable are as follows:

Years ending December 31:		
2024	$	314,830
2025		300,066
2026		311,990
2027		324,389
2028		337,129
Thereafter		1,093,637
Total	$	2,682,041

11. Leases

During the year ended December 31, 2023, BayLegal's lease portfolio consists of the following operating leases:

Equipment

BayLegal has multiple lease agreements for copiers and postage meters with various commencement dates and various expiration dates. Monthly lease expense for the years ended December 31, 2023 and 2022 range from $787 to $4,939 in both years.

Facilities

BayLegal has multiple lease agreements for office space in various cities in California with various commencement dates and various expiration dates. Monthly lease expenses for the years ended December 31, 2023 and 2022 range from $9,607 to $44,603.

Right-of-use assets represent BayLegal's right to use an underlying asset for the lease term, while lease liabilities represent BayLegal's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of BayLegal's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at BayLegal's sole discretion. BayLegal regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, BayLegal includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, BayLegal uses the rate implicit in the lease, or if not readily available, BayLegal uses a risk-free rate based on U.S. Treasury note or bond notes for a similar term.

Right-of-use assets are assessed for impairment in accordance with BayLegal's long-lived asset policy. BayLegal reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

BayLegal makes significant assumptions and judgements in evaluating its leases. In particular, BayLegal:

- Evaluated whether a contract contains a lease, by considering factors such as whether BayLegal obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio lease, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

BayLegal does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31:

	2023	2022
Operating lease right-of-use assets	$ 4,672,059	$ 5,518,717
Operating lease liabilities	$ 5,185,912	$ 5,722,128

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

	2023	2022
Operating lease expense	$ 1,204,607	1,146,893
Short-term lease expense	243,040	295,051
Total lease expense	$ 1,447,647	1,441,944

The right-of-use assets and lease liabilities were calculated using discount rates that range from 1.37% to 4.19%

The table below summarizes BayLegal's scheduled future minimum lease payments for years ending after December 31,2023:

Years ending December 31:	
2024	$ 1,483,366
2025	1,145,786
2026	968,163
2027	548,441
2028	440,113
Afterward	847,941
Total lease payments	5,433,810
Less present value discount	(247,898)
Total lease liabilities	$ 5,185,912

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,158,455	$ 943,482

12. Commitments and Contingencies

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.

13. Net Assets With Donor Restrictions

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

	2023	2022
Purpose restricted	$ 1,255,140	$ 227,082
Time restricted	300,000	270,000
Property purchased with funds from LSC	-	6,276
Total	$ 1,555,140	$ 503,358

14. Government Contracts

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

	2023	2022
San Francisco Mayor's Office Housing and Community Development	$ 5,768,810	$ 5,016,017
Legal Service Corporation	5,534,244	4,812,036
Other	2,267,847	1,804,360
San Francisco Department of Human Services	1,731,620	1,131,146
Homeless Prevention	1,697,592	793,983
Alameda County Social Services Agency CALWORKs Grant	1,519,990	1,300,000
Alameda County Behavioral Health Care Services	1,423,285	1,069,961
Alameda County Health Care Services Agency	1,106,218	1,237,469
Equal Access Funds	826,600	821,520
IOLTA	654,733	501,380
Santa Clara County Fund for Legal Services	556,313	192,296
State of California, Department of Managed Health Care	439,094	427,000
U.S. Department of Housing and Urban Development	343,923	389,182
County of San Francisco, Department on the Status of Women	325,868	305,395
City of San Jose CDBG	228,331	290,969
Victims of Crime (VOCA)	205,997	206,000
Anti-Displacement ADCIP	146,636	150,042
Santa Clara County Office of Immigrant Relations	139,034	206,460
Contra Costa County MLP/ AB109	134,148	162,292
Covenant House Dream Catcher	120,000	120,000
U.S Department of Justice	-	18,037
Total	$ 25,170,283	$ 20,955,545

15. Donated Services

BayLegal has received contributions of noncash services for the years ended December 31, 2023 and 2022, as summarized below.

	2023	2022
Contributed services	$ 6,925,822	$ 5,537,136

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.

16. 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 $534,608 and $448,828 for the years ended December 31, 2023 and 2022, respectively.

17. Concentration of Credit Risks

Financial instruments that potentially subject BayLegal to concentrations of credit risk consist principally of cash and cash equivalents and investments. Risk associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). Investments are exposed to various risks such as interest rate, credit and overall market volatility. Investments are protected under the Securities Investor Protection Corporation (SIPC) up to $500,000 (including $250,000 for cash). BayLegal has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The primary receivable balance outstanding at December 31, 2023 and 2022 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. For the years ended December 31, 2023 and 2022 97% and 96%, respectively, of BayLegal's grant revenue is derived from government funding sources. For the year ended December 31, 2023, 44% of grants receive were due from three funding sources.

	Contract Number	Contract Term	Program Award	Program Expenditures
State Awards				
The State Bar of California – Equal Access Fund (EAF):				
Domestic Violence Prevention Project – Regional	Program 93	1/01/2023-12/31/2023	$ 418,427	$ 418,427
The State Bar of California – EAF:				
Homeless Prevention 2	Program 93	1/01/2021-12/31/2023	408,731	150,953
The State Bar of California - Equal Access Fund ("EAF")				
Homeless Prevention Competitive Grant	Program 93	1/01/2023-06/30/2024	1,500,000	748,690
The State Bar of California - Equal Access Fund ("EAF")				
Homeless Prevention Supplemental	Program 93	7/01/2023-06/30/2024	282,750	149,177
The State Bar of California - Equal Access Fund ("EAF")				
Consumer Debt Competitive Grant	Program 93	1/01/2023-12/31/2025	1,200,000	408,173
The State Bar of California - Equal Access Fund ("EAF")				
Care Court Planning Grant	Program 93	1/01/2023-12/31/2023	13,889	2,739
Total The State Bar of California – Equal Access Fund			3,823,797	1,878,159
Alameda County Behavioral Health Care Services:				
Alameda County Behavior Health SSI/SSDI Advocacy, Legal Services for Probation Youth, Reentry Civil Legal Services	900154/PC19853	07/1/2022-6/30/2023	1,246,400	447,453
Alameda County Behavior Health SSI/SSDI Advocacy, Legal Services for Probation Youth, Reentry Civil Legal Services	900154/PC19853	07/1/2023-6/30/2024	1,246,400	593,208
Total Alameda County Behavioral Health Care Services			2,492,800	1,040,661
Superior Court of California:				
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-21-D002	07/1/2022-6/30/2023	10,000	5,000
Pass-through, County of San Mateo – Domestic Violence Protective Order Clinic	41-22-D004	07/1/2023-6/30/2024	10,000	5,000
Total Superior Court of California			20,000	10,000
State of California Managed Care Funds:				
Pass-through, State of California's Department of Managed Health Care (DMHC), Regional Health Care Access	19MCSA012	12/1/2019-12/31/2023	1,747,223	439,094
Total State of California Managed Care Funds			1,747,223	439,094
California Department of Social Services				
Pass-through, San Francisco Human Services Agency				
Individualized Legal Support Services (ILSS)	G-100 (4-19) Grant ID: 1000022061	07/01/2021-06/30/2023	62,492	12,150
Individualized Legal Support Services (ILSS)	G-100 (03-23) Grant ID: 1000029289	07/01/2023-06/30/2026	220,637	25,928
SSI Advocacy Services (HDAP SSI Advocacy program)	G-150 (1-22) Grant ID: 1000022085	07/01/2021-06/30/2023	2,135,632	810,252
Guaranteed Income Benefits Counseling	G-100 (03-23) Grant ID: 10000290956	07/01/2023-06/30/2026	235,000	16,678
Total California Department of Social Services Funds			2,653,761	865,008
Contra Costa County Probation Department:				
Contra Costa County Probation Free Legal Service	47187-02	07/01/2022-06/30/2023	173,195	118,352
Total Contra Costa County Probation Department Funds			173,195	118,352

Bay Area Legal Aid

Schedule of Expenditures of State Awards
Year Ended December 31, 2023

	Contract Number	Contract Term	Program Award	Program Expenditures
Department of Managed Health Care:				
Pass-through, Legal Aid Society of San Diego, CCI Ombudsman - Cal MediConnect	MOU	07/01/2020 - 06/30/2023	$ 248,290	$ 21,901
Total Department of Managed Health Care			248,290	21,901
Department of Health Care Services:				
Pass-through, California Coverage and Health Initiatives,				
Pass-through, Legal Aid Society of San Diego, California Coverage and Health Initiatives grant	MOU	7/1/2022-6/30/2024	333,000	169,748
Pass-through, Legal Aid Society of San Diego,				
Pass-through, Health Consumer Alliance Medicare Medi-Cal Ombudsperson Program	MOU	1/1/2023-12/31/2025	360,000	169,748
Pass-through, Alameda County Health Care Services Agency,				
Pass-through, Alameda Alliance for Health Housing Community Supports , Legal Services	Master Contract No. 902318/PO 10262	7/1/2023-6/30/2024	200,000	77,897
Total Department of Health Care Services			893,000	417,393
California Office of Emergency Services				
Pass-through, Stand! For Families Free of Violence, Domestic Violence Pro Per Clinics		07/01/2022-06/30/2023	20,000	7,661
Pass-through, Stand! For Families Free of Violence, Domestic Violence Pro Per Clinics Domestic Violence Pro Per Clinics		07/01/2023-06/30/2024	20,000	12,935
Pass-through, Bill Wilson Center January 1, 2022-December 31, 2026 Homeless Youth and Emergency Services and Housing (YE) Grant		01/01/2022-12/31/2026	175,000	35,000
Pass-through, California Partnership to End Domestic Violence (CPEDV) to Contra Costa Family Justice Alliance (CCFJA) aka Contra Costa Family Justice Center (CCFJC) Gun Violence and Domestic Violence Fatality Project		01/01/2023-12/31/2023	10,000	10,000
Total California Office of Emergency Services			225,000	65,596
California Governor's Office of Business and Economic Development:				
California Community Reinvestment Grants Program - Legal Services to Address Barriers to Reentry	CalCRG-2022-1426	06/01/2022-05/31/2025	386,874	181,201
			386,874	181,201
Total State Awards			$ 12,663,940	$ 5,037,365

Bay Area Legal Aid

Schedule of Private Attorney Involvement (PAI) Compliance
Year Ended December 31, 2023

Support	
Basic Grant, $5,534,236	$ 691,780
Total support	691,780
Expenses	
Personnel cost	
Salaries	
Attorneys	368,072
Paralegals	54,678
Clerical and other	817
Total personnel salaries	423,567
Employee benefits	65,307
Payroll taxes	33,834
Total personnel costs	522,708
Rents	38,707
Professional fees	22,587
Telephone	22,517
Supplies and printing	7,397
Audit	4,792
Insurance	4,231
Internships, law students	2,838
Professional dues	2,815
Recruitment	1,989
Travel	1,291
Training, meeting and conference	837
Litigation	791
Potage	421
Total nonpersonnel expenses	111,213
Total expenses	633,921
Net PAI expenses over (under) the requirement threshold	$ (57,859)

Bay Area Legal Aid

Schedule of Support, Revenue, Expenses, and Changes in Net Assets for Legal Services Corporation Funds
Year Ended December 31, 2023

	Legal Services Corporation	Property	Total
Revenue and Support			
Government contracts	$ 5,534,244	$ -	$ 5,534,244
Interest income	6,350	-	6,350
Total revenue and support	5,540,594	-	5,540,594
Expenses			
Salaries and wages	3,701,199	-	3,701,199
Employee benefits	558,175	-	558,175
Payroll taxes	278,634	-	278,634
Total personnel salaries	4,538,008	-	4,538,008
Rents	338,227	-	338,227
Professional fees	197,367	-	197,367
Telephone	196,757	-	196,757
Professional dues	64,636	-	64,636
Insurance	41,872	-	41,872
Audit	36,972	-	36,972
Library	30,794	-	30,794
Supplies and printing	24,798	-	24,798
Training, meetings & conferences	24,595	-	24,595
Litigation	17,379	-	17,379
Travel	11,281	-	11,281
Postage	7,317	-	7,317
Recruitment	6,911	-	6,911
Depreciation	-	6,276	6,276
Contract service to clients	3,680	-	3,680
Total expenses	1,002,586	6,276	1,008,862
Changes in net assets	-	(6,276)	(6,276)
Net Assets, Beginning	-	6,276	6,276
Net Assets, Ending	$ -	$ -	$ -