



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R26-0340
JUN 15 2026

REPORT IN THE PUBLIC INTEREST RE:

**EVICITION DEFENSE AND PREVENTION PROGRAM CONTRACT STATUS
LEGAL AID FOUNDATION OF LOS ANGELES / STAY HOUSED LA COALITION
(CITYWIDE)**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File Nos.: 20-1084; 20-1084-S4; 18-0610-S3; 19-0685-S1;
20-0401; 20-0505; 22-0414; 23-0038 and 23-0038-S7

Honorable Members:

This Report is submitted to provide an update regarding the efforts undertaken by the Office of the Los Angeles City Attorney (Office) in connection with the drafting and negotiation of four different contracts between the City of Los Angeles (City) and the Legal Aid Foundation of Los Angeles (LAFLA), Strategic Actions for a Just Economy (SAJE), Liberty Hill Foundation (Liberty Hill) and Southern California Housing Rights Center (HRC) for contract services including Eviction Defense and Prevention (LAFLA), Tenant Outreach and Education (Liberty Hill), Protection from Tenant Harassment (SAJE), and Short-Term Emergency Rental Assistance (HRC). These eviction defense and prevention services are to be provided under the City's Right to Counsel Program and United to House LA Homelessness Prevention Program (collectively, the "Program").



Timeline of Events

The initial contract for the Program was a \$7 million “pilot” awarded to LAFLA in 2021, based on an exception to the City Charter’s competitive bidding requirements for exigent circumstances related to the COVID-19 pandemic. That contract was amended and extended nine times, growing to a total of more than \$90 million, all without the detailed information, access and reports required by the original \$7 million original agreement. The most recent amendment to Contract No. C-138260 with LAFLA was executed in December 2025, and it extended the contract term to March 31, 2026. Council File No. [20-1084-S4](#) includes the complete history of these amendments together with links to other relevant documents.

On June 27, 2025, the City Council approved an Amendment to Contract No. C-138260 to extend the contract term for up to seven months through January 31, 2026 to allow and direct the Los Angeles Housing Department (LAHD) to initiate a competitive procurement process for sources to be rendered “in the most strategic and efficient manner possible.” LAHD released a Request for Proposals on September 22, 2025, and issued a report with recommendations for the award of new contracts on February 10, 2026. The City Council adopted LAHD’s recommendations on March 10, 2026, but did so with modifications that required additional reporting, payment invoicing, cost controls and oversight. Council also required that LAFLA provide the data requested by this Office and LAHD related to the expiring Contract No. C-138260 by no later than April 15, 2026.

Since March 2026, the Office of the Los Angeles City Attorney and LAHD have engaged in an ongoing process to draft, review and finalize the various contracts with LAFLA, SAJE, Liberty Hill and HRC to execute the requisite contracts to continue the Program. While LAHD waits for Liberty Hill to deliver its updated proposed budget for the period ending June 30, 2027, this Office continues to work with LAFLA, SAJE and HRC to resolve the remaining issues.

As with any agreement the City enters into, these contracts must include compliance, diligence, reporting and oversight provisions appropriate to the expenditure or grant of public funds. The process has been complicated because LAFLA refused to agree to the same provisions that it has had in every prior contact with the City and the same provisions that LAFLA agrees to in contracts with the federal government and with the County. LAFLA has refused to do so based on its claims that because the City is not using federal funds for this award, the reporting and oversight should not be as robust for City funds as they are for federal funds.

This Office fundamentally and vigorously disagrees with LAFLA’s claim that City funds should not be as protected as federal funds. All funding is taxpayer dollars and entitled to the same level of industry standard reporting and auditing. Given

the clear political directive however, this Office agreed (nearly 2 months ago) to negotiate lower standards than those previously agreed to by LAFLA. Despite this concession, this Office has had difficulty in getting LAFLA to agree to terms that preserve even the basic reporting, oversight, transparency and audit trail required to check that the City's funds are properly spent, that services paid for have been delivered, and that the costs incurred conform to the City's requirements. The ability to confirm the use and efficacy of the City's taxpayer dollars becomes even more critical in light of the escalating amounts provided to LAFLA by the City. The raw data consisting of redacted PDF lists provided by LAFLA makes it difficult to assess whether there is an increasing or decreasing number of tenants assisted and to assess the efficacy of the results obtained.¹

Outstanding Issues

During its March 10, 2026 Council meeting, the City Council adopted several motions concerning the Program, including a strict requirement that all contract funding would terminate if LAFLA did not provide the requested diligence and compliance information from 2021 through 2025 to the City by April 15, 2026. LAFLA did not do so by April 15th or since.

Instead, LAFLA produced raw information in unusable PDF redacted form (such as an 859 page PDF of initials and zip codes of those who registered for webinars and workshops without any information on attendance or any explanation of why a daily remote webinar could not service tenants across the City or why the pricing on these webinars was increased in 2023 from \$500 to \$2500 for each webinar or workshop regardless of attendance, resulting in a total expenditure of what appears to be nearly \$2,000,000 in 2023-2024 as opposed to not even \$200,000 in 2022-2023). Similarly, LAFLA did not produce any usable information on the tenants who had been represented by a lawyer in court, in landlord negotiations or what the legal services of each such representation had cost the City.

¹ The publicly available single audit reports for LAFLA for the years 2020-2025 are attached to this report as Exhibits 1-6. In those six years, the City of Los Angeles' contribution to LAFLA went from \$459,985 in 2020 to \$24,338,883 in 2025 (a more than **5000%** increase) while the County amounts went from \$3,961,024 (\$2,332,532 direct plus \$1,628,492 through the County's Neighborhood Legal Services) in 2020 to \$5,442,184 in 2025 (a **37%** increase), the State amounts went from \$3,266,586 (through the State Bar) in 2020 to \$8,623,953 in 2025 (\$6,496,374 through the State Bar for an approximately **164%** increase), and the Federal amounts went from \$8,065,207 in 2020 to \$31,232,754 in 2025 (a **287%** increase). Overall, LAFLA's government funding went from \$15,752,802 in 2020 to \$69,637,774 in 2025 according to the single audit reports. And yet LAFLA claims it cannot and should not be required to provide reports, summaries and backup on a case by case basis reflecting the amounts expended, the cost and the outcome of each case. This Office believes that is not acceptable and intends to engage a forensic accountant to review and rationalize the thousands of pages or raw data dumped by LAFLA without analysis or accountability to determine what is needed to verify the expenditure of these funds.

Nevertheless, this Office has continued to work with LAFLA to arrive at an agreement while considering the City's options to obtain reliable and usable information including potentially engaging a forensic accountant to sift through the data provided to this Office so as to either make the data usable or identify the deficiencies in what was produced.

While LAFLA has submitted raw data as described above, and the Office has moved on to try to get the new contracts in place, the following key issues and items remain open in negotiations for the new contracts:

- 1. City Council's direction required that the City obtain invoices for services rendered before authorizing payment and that administrative costs be limited to 8% of the contract amount in the same manner that the administrative costs are under Measure ULA.** LAFLA contends that it cannot provide invoices to the City for payment unless it is permitted to charge the City for the cost of invoice preparation separately.² The current draft of the City's agreement with LAFLA includes the upper limit of 8% for administrative, compliance and implementation costs as specified by City Council (\$8.48 million for the \$106 million LAFLA contract being negotiated and more than \$14 million for the \$177 million Stay Housed LA Program). This Office is not even authorized to agree to anything above the 8% cap required by City Council. Moreover, the budget as prepared and submitted by LAFLA and approved by LAHD in awarding the contract to LAFLA contained a total of 2.5% for all administrative costs. Nevertheless, LAFLA's most recent proposal (as of June 11, 2026) is to have the City to pay LAFLA and its subcontractors **15%**³ (or approximately \$16.96 million⁴) to cover administrative and indirect costs, an amount that is nearly double of what Council required and six times what LAHD approved in awarding the contract.

² Of course the City cannot pay amounts for which it has not been properly invoiced. Most recently, LAFLA estimated the cost associated with its monthly invoice preparation at \$337,000 in an email to this Office dated June 11, 2026 (copy attached as Exhibit 7) and stated that LAFLA's subcontractors, but not LAFLA itself, include administrative and indirect costs in their overall legal services budget.

³ LAFLA's 15% indirect cost rate is based on the Modified Total Direct Costs (MTDS) used in federal contracts to calculate overhead but it wants to use the percentage free of the strictures imposed under federal contracts so that overhead costs such as rent and equipment would also serve as a basis for the 15% administrative expenses.

⁴ The amounts allocated to LAFLA as administrative costs at 8% or 15% are as much or more as the amounts allocated to several departments or to street repairs or street lighting (other than the "solar surge" investment).

2. The City requested a summary and detailed information for full service representation matters (matters where a lawyer represented the tenant in negotiations or in court) including hours billed/time spent per matter, fees and costs billed and amounts paid by the City for the full service representation where a lawyer actually showed up in Court. This Office also requested information regarding the number of court appearances, trials, verdicts and outcomes of each case since 2021. LAFLA's response was to provide the aggregate number of hours billed overall by LAFLA and its providers for all "full scope representation" which LAFLA advises means a lawyer was assigned. LAFLA also provided the aforementioned PDF lists with initials but without any additional information or way to verify outcomes. Nor has LAFLA provided the hours, fees or costs billed per case or a summary and backup or information on court appearances, trials, verdicts, or outcomes in any court case. Even if this Office or LAHD had the capacity of combing through thousands of line items of raw data, it is not possible to verify from the redacted, incomplete and frequently duplicative lists provided how many tenants received the legal representation the City believed it was funding.
3. The new contract under negotiation provides for reports that include the number of hours spent working on each full scope representation moving forward under the new agreement, but LAFLA says it cannot provide detail on the fees or costs billed per case retrospectively, allegedly due to software limitations. LAFLA further indicates that some of its subcontractor legal services providers are unable to provide the City with information on hours spent and other invoice details required per full scope case. That should be an unacceptable response and does not comply with the minimum standards generally required of any City vendor.
4. LAFLA has refused to honor the City's request for names, addresses and court case numbers to be provided under the new contract, supposedly because that information is "confidential" and LAFLA is concerned about production of individual information under the California Public Records Act. This Office again disagrees but nevertheless has agreed to accept partial names, addresses and case numbers so long as those are in a format that preserves a verifiable audit trail. For example, if the client is Jane Smith at 1090 Main Street with case number 26ST1234123, our Office has proposed to accept a monthly audit trail in the form of Jane S at XXXX Main Street, 26ST1XXX123. That would suffice to permit a full audit periodically without transmitting any confidential information in the reporting. LAFLA so far has not accepted the proposal.

The Office of the Los Angeles City Attorney recognizes the importance of these contracts to the City Council and the Mayor's Office and is working to protect and ensure that constituents receive full access to the resources and support as authorized by the City Council.

This Office also has the responsibility to ensure that public funds are used legally and transparently, that all services are paid for and actually delivered, and that there are clear reporting and accountability measures in place.

This Office will continue to work with each proposed Contractor until those concerns are sufficiently documented in each and every contract. That is what the City Council required and that is what each and every Angeleno deserves.

Sincerely,



HYDEE FELDSTEIN SOTO
Los Angeles City Attorney

Attachment

cc: Mitch Kamin, Chief of Staff to Mayor Bass
Dr. Etsemaye Agonafer, Deputy Mayor of Housing & Homelessness Svcs.
David Michaelson, Counsel to Mayor Bass
Kenneth Mejia, Controller
Sharon Tso, Chief Legislative Analyst
Matt Szabo, City Administrative Officer
Tiena Johnson Hall, LAHD General Manager

EXHIBIT 1

EXHIBIT 1

LEGAL AID FOUNDATION OF LOS ANGELES

SINGLE AUDIT REPORTS

DECEMBER 31, 2020

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Legal Aid Foundation of Los Angeles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2020 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Foundation of Los Angeles' internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Foundation of Los Angeles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
April 30, 2021

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on Compliance for Each Major Federal Program

We have audited Legal Aid Foundation of Los Angeles' compliance with the types of compliance requirements described in the Compliance Supplement for Audits of Legal Services Corporation Recipients and U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Legal Aid Foundation of Los Angeles' major federal programs for the year ended December 31, 2020. Legal Aid Foundation of Los Angeles' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Legal Aid Foundation of Los Angeles' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Compliance Supplement for Audits of Legal Services Corporation Recipients. Those standards, the Uniform Guidance, and Compliance Supplement for Audits of Legal Services Corporation Recipients require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legal Aid Foundation of Los Angeles' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Legal Aid Foundation of Los Angeles' compliance.

Opinion on Each Major Federal Program

In our opinion, Legal Aid Foundation of Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**
continued

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item **2020-001**. Our opinion on each major federal program is not modified with respect to this matter.

Legal Aid Foundation of Los Angeles's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Legal Aid Foundation of Los Angeles' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Legal Aid Foundation of Los Angeles is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Legal Aid Foundation of Los Angeles' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**
continued

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item **2020-001** that we consider to be a significant deficiency.

Legal Aid Foundation of Los Angeles' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Legal Aid Foundation of Los Angeles response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance

We have audited the financial statements of Legal Aid Foundation of Los Angeles as of and for the year ended December 31, 2020, and have issued our report thereon dated April 30, 2021, which contained an unmodified opinion on those financial statements. 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 and non-federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
April 30, 2021

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended December 31, 2020

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal CFDA Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|-----------------|---------------------|----------------------|-------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Federal Awards | | | | | | |
| Legal Services Corporation: | | | | | | |
| Direct from Legal Services Corporation: | | | | | | |
| Legal Services for Low Income - Basic Field Grant | 805080 | 9.805080 | \$ 5,706,272 | \$ - | \$ 5,706,272 | \$ - |
| Legal Services for Low Income - COVID 19 Response Grant | CV20115 | 9.805080 | 386,500 | | 386,500 | |
| Legal Services for Low Income - Telework Capacity Building Grant | CVT20110 | 9.805080 | 25,000 | | 25,000 | |
| Total Legal Services Corporation | | | 6,117,772 | - | 6,117,772 | - |
| U.S. Department of Health and Human Services ("DHHS"): | | | | | | |
| Direct from DHHS: | | | | | | |
| Assistance for Torture Victims | 90ZT020802 | 93.604 | 431,926 | - | 431,926 | 42,500 |
| TANF Cluster: | | | | | | |
| Pass-through, County of Los Angeles, Department of Public Social Services: | | | | | | |
| Temporary Assistance for Needy Families | PH-003605 | 93.558 | 392,754 | | 392,754 | |
| Temporary Assistance for Needy Families | PH-004251 | 93.558 | 483,260 | | 483,260 | |
| | | | 876,014 | | 876,014 | |
| Total DHHS | | | 1,307,940 | - | 1,307,940 | 42,500 |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Direct from DOJ: | | | | | | |
| Legal Assistance for Victims | 2019-WL-AX-0003 | 16.524 | 148,543 | | 148,543 | |
| Legal Assistance for Trafficking Victims | 2019-VT-BX-0065 | 16.320 | 108,163 | | 108,163 | |
| Crime Victim Assistance/Discretionary Grants | 2018-V3-GX-K053 | 16.582 | 76,589 | | 76,589 | |
| Crime Victim Assistance/Discretionary Grants | 2018-CVJC-018 | 16.582 | 64,200 | | 64,200 | |
| | | | 397,495 | | 397,495 | |
| Pass-through, California Governor's Office of Emergency Services: | | | | | | |
| Crime Victim Assistance | XL 19-02-1010 | 16.575 | 200,000 | | 200,000 | |
| Total DOJ | | | 597,495 | - | 597,495 | - |
| U.S. Department of Veterans Affairs ("VA"): | | | | | | |
| Pass-through, United States Veterans Initiative: | | | | | | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 31,500 | | 31,500 | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 10,500 | | 10,500 | |
| Total VA | | | 42,000 | - | 42,000 | - |
| Total Federal Awards | | | 8,065,207 | - | 8,065,207 | 42,500 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended December 31, 2020

continued

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal CFDA Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|---|-----------------|---------------------|----------------------|---------------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Non-federal Awards | | | | | | |
| Neighborhood Legal Services of Los Angeles County: | | | | | | |
| Shriver Housing Project | 1035248 | N/A | | 341,889 | 341,889 | |
| Shriver Housing Project | 1035248 | N/A | | 198,805 | 198,805 | |
| Self Help Legal Access Centers-Long Beach | N/A | N/A | | 203,213 | 203,213 | |
| Self Help Legal Access Centers-Torrance | N/A | N/A | | 138,198 | 138,198 | |
| Self Help Legal Access Centers-Santa Monica | N/A | N/A | | 135,801 | 135,801 | |
| Self Help Legal Access Centers-Inglewood | N/A | N/A | | 109,333 | 109,333 | |
| Medical Legal Partnership - MLK | N/A | N/A | | 201,715 | 201,715 | |
| Medical Legal Partnership - Long Beach | N/A | N/A | | 161,802 | 161,802 | |
| Medical Legal Partnership - Rancho | N/A | N/A | | 137,736 | 137,736 | |
| | | | - | 1,628,492 | 1,628,492 | |
| City of Santa Monica: | | | | | | |
| General Community Legal Service Program | N/A | N/A | | 591,044 | 591,044 | |
| | | | - | 591,044 | 591,044 | |
| State Bar of California: | | | | | | |
| Interest on Lawyers Trust Account | N/A | N/A | | 1,234,297 | 1,234,297 | |
| Equal Access Fund - South East Eviction Defense | N/A | N/A | | 784,068 | 784,068 | |
| Equal Access Fund | N/A | N/A | | 624,867 | 624,867 | |
| Equal Access Fund - Homelessness Prevention | N/A | N/A | | 273,354 | 273,354 | |
| Equal Access Partnership | N/A | N/A | | 100,000 | 100,000 | |
| Community Stabilization and Reinvestment Grant | N/A | N/A | | 250,000 | 250,000 | |
| | | | - | 3,266,586 | 3,266,586 | |
| Inner City Law Center: | | | | | | |
| Measure H | 2017CNGFH182 | N/A | | 794,427 | 794,427 | |
| City of Los Angeles: | | | | | | |
| Project Impact | C-131628 | N/A | - | 459,985 | 459,985 | |
| County of Los Angeles: | | | | | | |
| Eviction Defense Program | N/A | N/A | | 1,643,248 | 1,643,248 | |
| CBEST | H-707740 | N/A | | 515,206 | 515,206 | |
| DOORS | ODR-02-003 | N/A | | 174,078 | 174,078 | |
| | | | - | 2,332,532 | 2,332,532 | |
| Others: | | | | | | |
| | N/A | N/A | | 882,995 | 882,995 | |
| Total Non-federal Awards | | | | | | |
| | | | - | 9,956,061 | 9,956,061 | - |
| Total Federal and Non-federal Awards | | | \$ 8,065,207 | \$ 9,956,061 | \$ 18,021,268 | \$ 42,500 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Legal Aid Foundation of Los Angeles (“LAFLA”), under the programs of the federal government for the year ended December 31, 2020. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAFLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAFLA.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. LAFLA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

LAFLA provided federal awards to the following sub-recipients:

| | | |
|----------------|-------------|-----------------|
| Public Counsel | CFDA 93.604 | <u>\$42,500</u> |
|----------------|-------------|-----------------|

4. Other Information

LAFLA did not receive federal insurance, loans, or non-cash assistance during the year ended December 31, 2020 that are required to be reported on the Schedule.

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2020

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? Yes

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? Yes

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

(Consistent with Audit Bulletin 97 – 01, the LSC recipient cannot be considered a “low-risk auditee”)

Identification of Major Programs:

Legal Services Corporation:

Legal Services for Low Income 9.80508

Section II – Financial Statements Findings

No matters reported.

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2020
continued

Section III – Federal Award Findings and Questioned Costs

CFDA 9.80508 – Legal Services for Low Income

2020-001. Financial Eligibility

Condition and Criteria: During our testing of Financial Eligibility under 45 CFR §§ 1611, we requested LAFLA’s board minutes and resolutions to ascertain LAFLA’s compliance with Board review and adoption of the financial eligibility guidelines on a triannual basis. Though we noted that financial eligibility guidelines are in place and are consistent with 45 CFR §§ 1611.3, Board review and adoption was not performed on a triannual basis.

Effect: LAFLA is not in compliance with the regulatory part of section 45 CFR §§ 1611.

Cause: Formal Board process not in place to ensure triannual review and adoption.

Recommendation: We recommend management review its current practices to ensure that a formal Board process is instituted to ensure compliance with triannual review and adoption.

View of responsible Officials and Corrective Action – Management agrees with the above finding and has addressed this finding in its attached Corrective Action Plan.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.

LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL SCHEDULES**

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

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 and Schedule of Revenue, Support, Expenses, and Changes in Net Assets for Legal Service Corporation (LSC) Funds, as required by LSC *Audit Guide for Recipients*, 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 30, 2021

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 6,642,254 | \$ 3,945,407 |
| Clients' trust deposits (Note 2) | 5,212 | 5,482 |
| Grants receivable | 3,652,405 | 2,423,627 |
| Pledges receivable (Note 4) | 381,712 | 420,214 |
| Notes receivable (Note 5) | 13,262,600 | 13,262,600 |
| Accounts receivable | 63,839 | 274,064 |
| Other receivables | 21,370 | 161,694 |
| Prepaid expenses and deposits | 361,176 | 203,195 |
| Investments (Note 6) | 17,350,077 | 2,953,253 |
| Land held for sale | 10,000 | 10,000 |
| Property and equipment (Note 7) | 4,334,517 | 4,445,409 |
| | \$ 46,085,162 | \$ 28,104,945 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 919,104 | \$ 891,686 |
| Accrued liabilities (Note 8) | 1,908,588 | 1,586,536 |
| Clients' trust deposits payable (Note 2) | 5,212 | 5,482 |
| Accrued unemployment liability (Note 9) | 241,872 | 206,145 |
| Deferred revenue (Note 10) | 3,450,366 | 1,055,635 |
| Paycheck protection program loan (Note 11) | 3,146,117 | - |
| Note payable (Note 12) | 2,157,000 | 2,470,000 |
| | 11,828,259 | 6,215,484 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 31,387,928 | 18,779,394 |
| Designated by the Board for operating reserve | 1,946,653 | 1,946,653 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 15) | 913,665 | 1,154,757 |
| Perpetual in nature (Note 15 and 16) | 8,657 | 8,657 |
| | 34,256,903 | 21,889,461 |
| TOTAL NET ASSETS | \$ 46,085,162 | \$ 28,104,945 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 46,085,162 | \$ 28,104,945 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | 2020 | 2019 |
|---|---------------------------------------|------------------------------------|----------------------|----------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 10,280,993 | \$ 7,740,275 | \$ 18,021,268 | \$ 13,777,363 |
| Cy Pres | 14,694,393 | | 14,694,393 | 619,801 |
| Donated services (Note 2) | 10,095,443 | | 10,095,443 | 12,529,122 |
| Special events (net of expenses of \$72,873) | 711,184 | | 711,184 | 806,354 |
| Contribution from LALAJC (Note 20) | 629,960 | | 629,960 | 647,913 |
| Grants and contributions | 555,827 | | 555,827 | 868,378 |
| Interest income | 197,083 | | 197,083 | 198,059 |
| Miscellaneous income | 194,343 | | 194,343 | 216,326 |
| Attorney fees | 108,879 | | 108,879 | 402,454 |
| Gain on investments | 43,646 | | 43,646 | 48,807 |
| Contributions - capital campaign | | | - | 19,497 |
| Net assets released from purpose restrictions (Note 15) | 7,915,976 | (7,915,976) | - | - |
| Net assets released from capital restrictions (Note 15) | 65,391 | (65,391) | - | - |
| | 45,493,118 | (241,092) | 45,252,026 | 30,134,074 |
| TOTAL REVENUE AND SUPPORT | | | | |
| EXPENSES | | | | |
| Program services | 27,876,584 | | 27,876,584 | 24,874,164 |
| Management and general | 4,510,806 | | 4,510,806 | 4,579,538 |
| Fundraising | 497,194 | | 497,194 | 458,733 |
| | 32,884,584 | - | 32,884,584 | 29,912,435 |
| TOTAL EXPENSES | | | | |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | 12,608,534 | (241,092) | 12,367,442 | 221,639 |
| OTHER CHANGES | | | | |
| Legal settlement | | | - | 901,799 |
| Write down of pledge receivables | | | - | 368,707 |
| | 12,608,534 | (241,092) | 12,367,442 | (1,048,867) |
| CHANGE IN NET ASSETS | | | | |
| NET ASSETS, BEGINNING OF YEAR | 20,726,047 | 1,163,414 | 21,889,461 | 22,938,328 |
| NET ASSETS, END OF YEAR | \$ 33,334,581 | \$ 922,322 | \$ 34,256,903 | \$ 21,889,461 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---------------------------------------|-----------------------|------------------------|-------------------------------|---------------------|----------------------------|----------------------|------------------------------|------------------------------|-------------------|----------------------|---------------|
| | Economic Stability | Supporting Families | Eviction Defense Center | Right to Counsel | Housing and Communities | Other | | | | 2020 | 2019 |
| Salaries and wages | \$ 1,798,474 | \$ 1,756,896 | \$ 1,053,144 | \$ 334,984 | \$ 947,336 | \$ 4,705,399 | \$ 10,596,233 | \$ 1,737,064 | \$ 348,340 | \$ 12,681,637 | \$ 10,212,706 |
| Employee benefits | 337,837 | 370,094 | 216,148 | 35,090 | 195,464 | 862,312 | 2,016,945 | 319,923 | 65,342 | 2,402,210 | 1,928,365 |
| Payroll taxes | 176,744 | 192,466 | 115,134 | 20,312 | 98,531 | 435,511 | 1,038,698 | 166,877 | 34,796 | 1,240,371 | 984,802 |
| Total personnel costs | 2,313,055 | 2,319,456 | 1,384,426 | 390,386 | 1,241,331 | 6,003,222 | 13,651,876 | 2,223,864 | 448,478 | 16,324,218 | 13,125,873 |
| Donated services (Note 2) | 1,669,695 | 1,537,960 | 1,394,961 | 1,065,029 | 809,302 | 3,618,496 | 10,095,443 | | | 10,095,443 | 12,529,122 |
| Service to clients | 81,975 | 10,625 | 597,368 | 1,248,778 | 25,000 | 39,377 | 2,003,123 | | | 2,003,123 | 108,508 |
| Space and occupancy | 65,668 | 85,676 | 34,232 | | 46,420 | 303,168 | 535,164 | 983,379 | 6,627 | 1,525,170 | 1,504,046 |
| Telephone | 38,258 | 83,714 | 51,240 | | 29,883 | 217,408 | 420,503 | 112,554 | 6,034 | 539,091 | 359,136 |
| Equipment rental and maintenance | 27,548 | 31,433 | 66,730 | | 45,017 | 63,923 | 234,651 | 287,208 | 3,205 | 525,064 | 417,696 |
| Non-capitalizable equipment expense | 336,535 | | | | | | | 180,876 | 2,551 | 519,962 | 178,580 |
| Service to program | 1,113 | 221 | 227 | | | 10,263 | 11,824 | 308,531 | 7,576 | 327,931 | 280,432 |
| Office supplies and expense | 9,290 | 9,822 | 37,284 | | 3,467 | 34,062 | 93,925 | 82,989 | 1,309 | 178,223 | 143,852 |
| Interest expense | | | | | | | | 164,113 | | 164,113 | 167,171 |
| Other expenses | 8,535 | 13,516 | 4,772 | 2,569 | 4,663 | 23,273 | 57,328 | 86,500 | 12,617 | 156,445 | 375,212 |
| Library | 25,224 | 25,875 | 11,980 | | 6,695 | 71,428 | 141,202 | 3,344 | 3,487 | 148,033 | 151,236 |
| Insurance | 14,111 | 20,123 | 9,659 | 1,337 | 9,194 | 44,784 | 99,208 | 44,515 | 1,761 | 145,484 | 106,557 |
| Depreciation | 14,333 | 12,628 | 10,906 | 8,352 | 6,881 | 33,191 | | 21,810 | 2,791 | 110,892 | 113,175 |
| Litigation | | 7,336 | 16,762 | | 1,847 | 38,358 | 64,303 | 438 | 49 | 64,790 | 222,592 |
| Training | 4,150 | 12,184 | 1,044 | | 1,002 | 7,810 | 26,190 | 8,131 | 539 | 34,860 | 49,762 |
| Travel | 5,332 | 4,589 | 972 | | 2,886 | 5,239 | 19,018 | 2,554 | 170 | 21,742 | 79,485 |
| TOTAL 2020 FUNCTIONAL EXPENSES | \$ 4,614,822 | \$ 4,175,158 | \$ 3,622,563 | \$ 2,716,451 | \$ 2,233,588 | \$ 10,514,002 | \$ 27,876,584 | \$ 4,510,806 | \$ 497,194 | \$ 32,884,584 | |
| TOTAL 2019 FUNCTIONAL EXPENSES | \$ 3,814,687 | \$ 5,135,998 | \$ 2,604,245 | \$ - | \$ 3,046,140 | \$ 10,273,094 | \$ 24,874,164 | \$ 4,579,538 | \$ 458,733 | | \$ 29,912,435 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 12,367,442 | \$ (1,048,867) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 110,892 | 113,175 |
| Write down of pledge receivables | - | 368,707 |
| Contributions restricted for capital campaign | - | (19,069) |
| Unrealized (gain) on investments | (43,646) | (48,807) |
| Interest and dividends reinvested | (64,457) | (65,433) |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (1,228,778) | (1,071,037) |
| Accounts receivables | 210,225 | (274,064) |
| Pledges receivables | (68,862) | 237,509 |
| Other receivables | 140,324 | 806,115 |
| Prepaid expenses and deposits | (157,981) | (23,625) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 27,418 | 406,240 |
| Accrued liabilities | 322,052 | 469,431 |
| Accrued unemployment liability | 35,727 | 20,096 |
| Deferred revenue | 2,394,731 | 704,607 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 14,045,087 | 574,978 |
| CASH FLOWS (TO) FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (14,288,721) | - |
| Proceeds from sale of investments | - | 1,190,315 |
| Purchase of property and equipment | - | (282,653) |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | (14,288,721) | 907,662 |
| CASH FLOWS FROM (TO) FINANCING ACTIVITIES: | | |
| Proceeds from paycheck protection program loan | 3,146,117 | - |
| Principal payments on note payable | (313,000) | (250,000) |
| Principal payments on line of credit | - | (1,024,895) |
| Collection of capital campaign pledges | 107,364 | 103,627 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 2,940,481 | (1,171,268) |
| NET INCREASE IN CASH | 2,696,847 | 311,372 |
| CASH, BEGINNING OF YEAR | 3,945,407 | 3,634,035 |
| CASH, END OF YEAR | \$ 6,642,254 | \$ 3,945,407 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Cash paid during the year for interest: | \$ 142,285 | \$ 168,145 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

Los Angeles Legal Aid Justice Center, Inc. (“LALAJC”), a nonprofit public benefit corporation established in September 2015, was formed for the purpose of supporting the activities of LAFLA. In particular, LALAJC was formed for the purpose of constructing, owning and leasing a headquarters facility to LAFLA in support of LAFLA’s charitable mission. LALAJC is a qualified, active low-income community business (see Note 19).

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.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds 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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 40% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2020, revenue from one government funding source was approximately 14% of total revenue.

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

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 non-exchange/contributions with conditions. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts are reflected in the financial statements as a deferred revenue liability (see Note 10).

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received and the related case is ultimately resolved.

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$10,095,443 (see Note 14). The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 30, 2021, the date which the financial statements were available for issue. No other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 monthly to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of December 31, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 6,642,254 |
| Investments | 17,350,077 |
| Grants receivable | 3,652,405 |
| Pledges receivable (due within one year) | 381,712 |
| Accounts receivable | 63,839 |
| Other receivables | <u>21,370</u> |
| | 28,111,657 |
| Less: net assets with purpose and time restrictions | (913,665) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| | <u>\$27,189,335</u> |

LAFLA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$27 million in earned revenue to cover operating expenditures within the next year.

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2020, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2020. Total amount of pledges receivable at December 31, 2020 of \$381,712, is expected to be collected within one year.

5. Notes Receivable

LAFLA has two interest bearing notes receivable due from Chase New Market Tax Credit ("NMTC") LAFLA Investment Fund, LLC, an unrelated entity formed as part of the NMTC arrangement (see Note 19):

Fund Note A is to be repaid by June 2023. Interest only payments at 1.00% are due quarterly with a final payment of all outstanding principal and accrued interest due at maturity.

\$ 1,000,000

Fund Note B is to be repaid by April 2051. Principal and interest payments at 1.00% per annum, in the amount of \$159,692, are due quarterly until maturity.

12,262,600
\$13,262,600

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments at December 31, 2020 consist of the following:

| | |
|---------------------------|---------------------|
| Bank deposit | \$14,298,063 |
| Fixed income | 2,579,043 |
| Certificates of deposit | 415,204 |
| Cash and cash equivalents | <u>57,767</u> |
| | <u>\$17,350,077</u> |

7. Property and Equipment

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

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|--------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$ 1,670,800 | \$ 1,595,922 | \$ 3,266,722 |
| Building improvements | - | 2,818,167 | 2,818,167 |
| Land | - | 1,521,412 | 1,521,412 |
| Building | - | 1,270,630 | 1,270,630 |
| Law library | - | 315,500 | 315,500 |
| Construction in progress | - | 63,004 | 63,004 |
| Vehicles | - | 22,000 | 22,000 |
| Leasehold improvement | - | 8,175 | 8,175 |
| | <u>1,670,800</u> | <u>7,614,810</u> | <u>9,285,610</u> |
| Less: accumulated depreciation | <u>(1,645,362)</u> | <u>(3,305,731)</u> | <u>(4,951,093)</u> |
| | <u>\$ 25,438</u> | <u>\$ 4,309,079</u> | <u>\$ 4,334,517</u> |

Depreciation expense for the year ended December 31, 2020 was \$110,892.

8. Accrued Liabilities

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

| | |
|---------------------------|--------------------|
| Accrued vacation | \$ 964,914 |
| Accrued payroll | 592,228 |
| Other accrued liabilities | <u>351,446</u> |
| | <u>\$1,908,588</u> |

9. Accrued Unemployment Liability

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2020 of \$241,872, represents estimated future claims arising from payroll paid to December 31, 2020. Unemployment expense for the year ended December 31, 2020 was \$33,174.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

10. Deferred Revenue

Deferred revenue at December 31, 2020 consists of the following:

| | |
|---|--------------------|
| Equal Access Fund (EAF) grants | \$1,111,993 |
| Interest on Lawyers' Trust Accounts (IOLTA) grant | 894,993 |
| LSC Basic Field grant | 754,113 |
| LSC COVID-19 Response grant | 444,207 |
| CA Endowment | 126,511 |
| LA Care | 62,114 |
| Others | <u>56,435</u> |
| | <u>\$3,450,366</u> |

11. Paycheck Protection Program

In April 2020, LAFLA received loan proceeds in the amount of \$3,146,117 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 loan and accrued interest are potentially forgivable after a period of up to twenty-four weeks (the "covered period") after the date of funding as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness may be reduced if the recipient terminates employees or reduces salaries during the cover period.

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the SBA remits the recipient's forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient's forgiveness covered period. LAFLA intends to use the proceeds for purposes consistent with the PPP regulations. LAFLA is uncertain as to the extent, if any, that the loan proceeds will meet all the conditions for forgiveness of the loan.

12. Note Payable

Note payable, related to the NMTC arrangement (see Note 19), at December 31, 2020 consists of the following:

| | |
|---|--------------------|
| Note payable to a corporation, secured by real property, monthly interest payments of 6.125% per annum, and scheduled annual principal payments ranging from \$500,000 to \$1,000,000 million, due June 2023. | <u>\$2,157,000</u> |
|---|--------------------|

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Note Payable, continued

Principal payments on the note payable are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|--------------------|
| 2021 | \$ 457,000 |
| 2022 | 500,000 |
| 2023 | <u>1,200,000</u> |
| | <u>\$2,157,000</u> |

13. Commitments and Contingencies

Obligations Under Operating Leases

LAFLA leases various equipment and property under operating leases with varying 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> | |
|---------------------------------|---------------------|
| 2021 | \$ 1,061,727 |
| 2022 | 911,732 |
| 2023 | 989,670 |
| 2024 | 983,748 |
| 2025 | 983,748 |
| Thereafter | <u>31,904,902</u> |
| | <u>\$36,835,527</u> |

Lease expense under operating leases for the year ended December 31, 2020 was \$1,159,331.

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2020.

Impact of COVID-19 Virus

Following the Los Angeles County and State "Safer at Home" order which closed all non-essential business activities, LAFLA, as an essential business, has been conducting business as usual while observing isolation protocols and providing remote work opportunities. The overall, long-term financial impact, if any, of the COVID-19 virus on LAFLA cannot be foreseen at this time and is not reflected in these financial statements.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2020 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|--------------------|----------------|----------------|--------------------|
| Fixed income | <u>\$2,579,043</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,579,043</u> |

The fair value of fixed income and equity have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|----------------|---------------------|-----------------|---------------------|
| Donated services | \$ - | \$10,095,443 | \$ - | \$10,095,443 |
| Pledged contributions - new | | | 67,504 | 67,504 |
| | <u>\$ -</u> | <u>\$10,095,443</u> | <u>\$67,504</u> | <u>\$10,162,497</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

15. Net Assets With Donor Restrictions

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

Purpose and time restriction:

| | |
|------------------|----------------|
| Parking | \$532,226 |
| Capital campaign | 381,439 |
| | <u>913,665</u> |

Perpetual in nature:

| | |
|----------------------------------|--------------|
| Donor restricted endowment funds | <u>8,657</u> |
|----------------------------------|--------------|

Net assets with donor restrictions at December 31, 2020 \$922,322

For the year ended December 31, 2020, net assets released from donor restrictions were \$7,981,367 which consisted of \$7,915,976 released for purpose restrictions and \$65,391 for capital restrictions.

16. Endowment

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA’s Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2020 was \$8,657.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2020, there were no such declines in value below the amount of the original endowments.

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 5% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 7%. Actual results during any period may vary from these expectations.

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA’s spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2020 is as follows:

| | |
|----------------------------------|------------------------------------|
| | With Donor Restrictions |
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

Changes in endowment net assets as of December 31, 2020 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | \$8,657 |
| Endowment net assets, end of year | <u>\$8,657</u> |

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

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

17. Government Contracts

Government contracts for the year ended December 31, 2020 consist of the following:

| | |
|---|---------------------|
| Legal Services Corporation | \$ 6,117,772 |
| Equal Access Funds | 1,682,289 |
| LA County Eviction Defense Program | 1,643,248 |
| Interest on Lawyer Trust Account | 1,234,297 |
| CalWORKs Domestic Violence Program | 876,014 |
| Measure H | 794,427 |
| Domestic Violence Clinic and Community Legal Service | 591,044 |
| Self Help Legal Access Centers | 586,545 |
| Shriver Housing Project | 540,694 |
| LA County DHS – CBEST | 515,206 |
| Medical Legal Partnerships | 501,253 |
| Project Impact | 459,985 |
| Assistance to Victims of Torture | 431,926 |
| Other | 381,740 |
| Crime Victim Assistance | 340,789 |
| Community Stabilization and Reinvestment | 250,000 |
| CA Governor's Office of Business and Economic Development | 230,630 |
| LA County DOORS | 174,078 |
| Services for Victims | 148,543 |
| Los Angeles Justice Fund | 136,825 |
| CDSS – Immigration Services | 133,800 |
| Services for Trafficking Victims | 108,163 |
| Equal Access Partnership | 100,000 |
| Supportive Services for Veterans Families | 42,000 |
| | <u>\$18,021,268</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

18. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2020 were \$522,046.

19. New Headquarters Development and New Market Tax Credits

Construction of the four-story, 45,770 square foot Ron Olsen Justice Center building, located at 1550 West 8th Street, Los Angeles was completed in Fall 2017 at a cost of \$17.9 million.

To finance the project, LAFLA entered into a NMTC financing arrangement. The NMTC Program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investment. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2023.

As part of the arrangement, LAFLA issued notes receivable totaling \$13,262,600, to an investment fund. The funding for the notes receivable was derived from a short-term bridge loan from a financial institution, a \$6,200,000 loan from a development corporation, and over \$5.72 million in capital campaign funds raised. In addition to the notes issued to the investment fund, a third-party NMTC investor also made an equity investment into the investment fund of roughly \$6.49 million. For their investment, the NMTC investor holds a 100% equity member interest in the investment fund and is also entitled to the NMTC tax credits. The investment fund, through 99% owned community development entities, made qualified low-income community investments in the form of loans collectively totaling roughly \$19.3 million to LALAJC to complete the project. Approximately \$1.7 million was transferred back to LAFLA as a reimbursement to settle the short-term bridge loan used to facilitate the arrangement.

The final component of the arrangement involved LAFLA entering into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreement, the NMTC investor can exercise a put option to sell all interest in the investment fund for \$1,000. If the NMTC investor does not exercise the put option, then the agreement allows LAFLA to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

While under construction, and as part of the financing arrangement, LAFLA transferred title to the property to LALAJC. Following completion, LALAJC began leasing the building to LAFLA under an operating lease allowing LAFLA to utilize the property as their headquarters for serving the needs of the surrounding low-income communities.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

20. Related Party Transactions

LAFLA leases the Ron Olson Justice Center building from LALAJC under an operating lease. Rental payments paid to LALAJC for the year ended December 31, 2020 was \$806,781 (see Note 19).

Additionally, LAFLA has no contribution receivable from LALAJC as of December 31, 2020. Total amount of contribution from LALAJC for the year ended December 31, 2020 was \$629,960.

SUPPLEMENTARY INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2020

| | |
|--|--------------------------|
| Support | |
| Basic grant (\$6,460,385 x 12.5%) | <u>\$ 807,548</u> |
| Total support | <u>807,548</u> |
| Expenses | |
| Personnel salaries: | |
| Attorneys | 654,745 |
| Employee benefits | 151,211 |
| Payroll taxes | 78,114 |
| Clerical and other | 46,023 |
| Paralegals | 15,870 |
| Total personnel costs | <u>945,963</u> |
| Travel and training | <u>-</u> |
| Total direct expenses | <u>945,963</u> |
| Space and occupancy | 90,483 |
| Telephone | 31,762 |
| Equipment rental and maintenance | 31,095 |
| Service to programs | 19,089 |
| Office supplies and expenses | 10,541 |
| Library | 8,613 |
| Insurance | 8,564 |
| Litigation | 3,853 |
| Total indirect expenses | <u>204,000</u> |
| Total expenses | <u>1,149,963</u> |
| Net PAI expenses over the requirement threshold | <u><u>\$ 342,415</u></u> |

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS

For the year ended December 31, 2020

| | Basic Field | LSC Covid-19 Response | LSC - Telework Capacity Building | Total |
|--|------------------------|----------------------------------|---|---------------------|
| Revenue and support | | | | |
| Grant revenue | \$ 5,706,272 | \$ 386,500 | \$ 25,000 | \$ 6,117,772 |
| Attorney fees | 5,085 | | | 5,085 |
| Interest income | 15,607 | | | 15,607 |
| Unrealized gain on investment | 8,151 | | | 8,151 |
| Total revenue and support | 5,735,115 | 386,500 | 25,000 | 6,146,615 |
| Expenses | | | | |
| Personnel salaries: | | | | |
| Attorneys | 1,527,637 | 148,268 | | 1,675,905 |
| Clerical and other | 1,320,748 | 10,819 | | 1,331,567 |
| Employee benefits | 656,388 | 6,580 | | 662,968 |
| Payroll taxes | 525,223 | 19,517 | | 544,740 |
| Paralegals | 335,389 | 35,171 | | 370,560 |
| Total personnel costs | 4,365,385 | 220,355 | - | 4,585,740 |
| Space and occupancy | 487,850 | 973 | | 488,823 |
| Equipment rental and maintenance | 236,672 | 311 | | 236,983 |
| Telephone | 163,787 | 64,694 | 11,372 | 239,853 |
| Non-capitalizable equipment expense | 108,662 | 20,664 | | 129,326 |
| Office supplies and expenses | 45,581 | 68,325 | 13,628 | 127,534 |
| Service to program | 100,493 | | | 100,493 |
| Insurance | 72,470 | 298 | | 72,768 |
| Library | 59,638 | 380 | | 60,018 |
| Other | 24,338 | 10,041 | | 34,379 |
| Audit | 29,541 | | | 29,541 |
| Litigation | 19,079 | 180 | | 19,259 |
| Training | 13,507 | 250 | | 13,757 |
| Travel | 8,112 | 29 | | 8,141 |
| Total expenses | 5,735,115 | 386,500 | 25,000 | 6,146,615 |
| Change in net assets | - | - | - | - |
| Net assets, beginning of year | - | - | - | - |
| Net assets, end of year | \$ - | \$ - | \$ - | \$ - |
| Deferred revenue at December 31, 2020 | \$ 754,113 | \$ 444,207 | \$ - | \$ 1,198,320 |

See independent auditors' report.



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Amber S. Finch, Secretary
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KPMG LLP

April 26, 2021

Legal Aid Foundation of Los Angeles ("LAFLA")
Single Audit Report for the Year-Ended December 31, 2020

Corrective Action Plan

2020-001 Financial Eligibility

LAFLA management was made aware of the non-compliance finding during the preliminary phase of Harrington Group CPA's audit of LAFLA's financial statements for the year ended, December 31, 2020. Upon review of the issue, finding was determined to be the result of losing sight of the need to schedule board review of the financial eligibility guidelines which was further exacerbated by the pandemic.

In response to the finding, LAFLA reviewed and updated the financial eligibility policy and guidelines in time for immediate Board review and approval. The Board formally approved the financial eligibility policy and guidelines during its Board meeting held on April 15, 2021.

Going forward, LAFLA Management will ensure compliance with 45 CFR § 1611.3 Financial Eligibility Policies by presenting the financial eligibility policy and guidelines to the Board on an annual basis.

Responsible Party: LAFLA Management

Executive Director

Silvia R. Argueta, Esq.

Ron Olson Justice Center
1550 W. 8th Street | Los Angeles, CA 90017-4316
323-801-7924 | 323-801-7945 fax

LSC | America's Partner
for Equal Justice
LEGAL SERVICES CORPORATION

EXHIBIT 2

EXHIBIT 2

LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 2021, 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 Legal Aid Foundation of Los Angeles 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 Legal Aid Foundation of Los Angeles' 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITORS' REPORT

continued

- 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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* 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 27, 2022

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 2,732,687 | \$ 6,642,254 |
| Clients' trust deposits (Note 2) | 5,212 | 5,212 |
| Grants receivable | 6,492,176 | 3,652,405 |
| Pledges receivable (Note 4) | 346,865 | 381,712 |
| Notes receivable (Note 5) | 13,262,600 | 13,262,600 |
| Accounts receivable | - | 63,839 |
| Other receivables | - | 21,370 |
| Prepaid expenses and deposits | 291,622 | 361,176 |
| Investments (Note 6) | 17,123,561 | 17,350,077 |
| Land held for sale | 10,000 | 10,000 |
| Property and equipment (Note 7) | 4,533,319 | 4,334,517 |
| | \$ 44,798,042 | \$ 46,085,162 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 2,471,717 | \$ 919,104 |
| Accrued liabilities (Note 8) | 1,868,637 | 1,908,588 |
| Clients' trust deposits payable (Note 2) | 5,212 | 5,212 |
| Accrued unemployment liability (Note 9) | 283,969 | 241,872 |
| Deferred revenue (Note 10) | 850,849 | 3,450,366 |
| Paycheck protection program loan (Note 11) | - | 3,146,117 |
| Note payable (Note 12) | 1,700,000 | 2,157,000 |
| | 7,180,384 | 11,828,259 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 27,595,445 | 31,387,928 |
| Designated by the Board for operating reserve | 8,629,400 | 1,946,653 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 15) | 1,384,156 | 913,665 |
| Perpetual in nature (Note 15) | 8,657 | 8,657 |
| | 37,617,658 | 34,256,903 |
| TOTAL NET ASSETS | 37,617,658 | 34,256,903 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 44,798,042 | \$ 46,085,162 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | 2021 | 2020 |
|---|---------------------------------------|------------------------------------|-------------------|-------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 27,379,172 | \$ - | \$ 27,379,172 | \$ 18,021,268 |
| Donated services (Note 2) | 10,798,677 | | 10,798,677 | 10,095,443 |
| Grants and contributions | 170,030 | 656,606 | 826,636 | 555,827 |
| Special events (net of expenses of \$59,141) | 758,913 | | 758,913 | 711,184 |
| Contribution from LALAJC (Note 20) | 450,000 | | 450,000 | 629,960 |
| Miscellaneous income | 385,224 | | 385,224 | 194,343 |
| Interest income | 367,639 | | 367,639 | 197,083 |
| Cy Pres | 261,828 | | 261,828 | 14,694,393 |
| Contributions - capital campaign | | 67,136 | 67,136 | - |
| Attorney fees | 20,340 | | 20,340 | 108,879 |
| (Loss) gain on investments | (466,892) | | (466,892) | 43,646 |
| Net assets released from purpose restrictions (Note 15) | 131,478 | (131,478) | - | - |
| Net assets released from capital restrictions (Note 15) | 121,773 | (121,773) | - | - |
| | 40,378,182 | 470,491 | 40,848,673 | 45,252,026 |
| EXPENSES | | | | |
| Program services | 36,090,996 | | 36,090,996 | 27,876,584 |
| Management and general | 4,274,683 | | 4,274,683 | 4,510,806 |
| Fundraising | 268,356 | | 268,356 | 497,194 |
| | 40,634,035 | - | 40,634,035 | 32,884,584 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | (255,853) | 470,491 | 214,638 | 12,367,442 |
| OTHER CHANGES | | | | |
| Forgiveness of paycheck protection program loan (Note 11) | 3,146,117 | | 3,146,117 | - |
| CHANGE IN NET ASSETS | 2,890,264 | 470,491 | 3,360,755 | 12,367,442 |
| NET ASSETS, BEGINNING OF YEAR | 33,334,581 | 922,322 | 34,256,903 | 21,889,461 |
| NET ASSETS, END OF YEAR | \$ 36,224,845 | \$ 1,392,813 | \$ 37,617,658 | \$ 34,256,903 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

| | Program Services | | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---------------------------------------|----------------------|-------------------------|---------------------|---------------------|-------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|----------------|--|
| | Right to Counsel | Eviction Defense Center | Supporting Families | Economic Stability | Housing and Communities | Other | 2021 | | | | 2020 | |
| Salaries and wages | 1,484,711 | \$ 1,269,126 | \$ 1,789,792 | \$ 1,416,368 | \$ 1,206,498 | \$ 5,145,471 | \$ 12,312,166 | \$ 2,047,474 | \$ 132,186 | \$ 14,491,826 | \$ 12,681,637 | |
| Employee benefits | 181,969 | 226,934 | 363,110 | 281,804 | 207,297 | 1,064,950 | 2,326,064 | 367,088 | 25,299 | 2,718,451 | 2,402,210 | |
| Payroll taxes | 89,714 | 112,164 | 179,040 | 140,288 | 102,474 | 440,463 | 1,064,113 | 212,656 | 12,106 | 1,288,905 | 1,240,371 | |
| Total personnel costs | 1,756,394 | 1,608,224 | 2,331,942 | 1,838,660 | 1,516,269 | 6,650,884 | 15,702,373 | 2,627,218 | 169,591 | 18,499,182 | 16,324,218 | |
| Donated services (Note 2) | 3,696,237 | 1,161,679 | 1,131,636 | 928,960 | 728,361 | 3,151,803 | 10,798,676 | | | 10,798,676 | 10,095,443 | |
| Services to clients | 5,860,146 | 723,639 | | 67,560 | | 55,081 | 6,706,426 | | | 6,706,426 | 2,003,123 | |
| Space and occupancy | 226,579 | 102,746 | 184,304 | 115,737 | 175,760 | 442,464 | 1,247,590 | 460,431 | 18,120 | 1,726,141 | 1,525,170 | |
| Equipment rental and maintenance | 19,460 | 42,425 | 22,688 | 21,576 | 36,090 | 38,052 | 180,291 | 377,120 | 4,056 | 561,467 | 525,064 | |
| Telephone | 122,837 | 45,873 | 52,111 | 42,437 | 28,538 | 144,116 | 435,912 | 81,680 | 8,195 | 525,787 | 539,091 | |
| Office supplies and expense | 1,519 | 5,390 | 6,683 | 2,303 | 893 | 70,332 | 87,320 | 242,722 | 2,636 | 332,678 | 178,223 | |
| Depreciation | 84,732 | 26,630 | 25,942 | 21,295 | 16,697 | 72,252 | 247,548 | 39,659 | 2,882 | 290,089 | 110,892 | |
| Service to program | 571 | 317 | 12,012 | 468 | | 43,070 | 56,438 | 179,965 | 6,600 | 243,003 | 327,931 | |
| Litigation | 59,516 | 62,853 | 11,802 | 1,627 | 7,753 | 33,179 | 176,730 | 5,678 | 627 | 183,035 | 64,790 | |
| Library | 47,383 | 18,688 | 21,629 | 13,053 | 11,243 | 53,833 | 163,829 | 12,733 | 1,994 | 180,556 | 148,033 | |
| Other expenses | 39,003 | 11,262 | 15,131 | 11,588 | 7,239 | 28,944 | 113,167 | 22,697 | 15,309 | 151,173 | 156,445 | |
| Insurance | 5,764 | 5,620 | 7,819 | 6,857 | 4,592 | 19,532 | 50,184 | 59,380 | 36,963 | 146,527 | 145,484 | |
| Interest expense | | | | | | | | 120,463 | | 120,463 | 164,113 | |
| Training | 14,956 | 26,599 | 9,401 | 40,073 | 607 | 3,300 | 54,863 | 26,078 | 1,218 | 82,159 | 34,860 | |
| Non-capitalizable equipment expense | 6,350 | | | | | | 46,423 | 16,774 | | 63,197 | 519,962 | |
| Travel | 3,280 | 5,376 | 5,080 | 535 | 1,532 | 5,423 | 21,226 | 2,085 | 165 | 23,476 | 21,742 | |
| TOTAL 2021 FUNCTIONAL EXPENSES | \$ 11,944,727 | \$ 3,847,321 | \$ 3,838,180 | \$ 3,112,929 | \$ 2,535,574 | \$ 10,812,265 | \$ 36,990,996 | \$ 4,274,683 | \$ 268,356 | \$ 40,634,035 | | |
| TOTAL 2020 FUNCTIONAL EXPENSES | \$ 2,716,451 | \$ 3,622,563 | \$ 4,175,158 | \$ 4,614,822 | \$ 2,233,588 | \$ 10,514,002 | \$ 27,876,584 | \$ 4,510,806 | \$ 497,194 | \$ 32,884,584 | | |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| CASH FLOWS (TO) FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 3,360,755 | \$ 12,367,442 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 290,089 | 110,892 |
| Gain on disposal of property and equipment | (169,065) | - |
| Contributions restricted for capital campaign | (67,136) | - |
| Unrealized loss (gain) on investments | 466,892 | (43,646) |
| Interest and dividends reinvested | (235,013) | (64,457) |
| Forgiveness of paycheck protection program loan | (3,146,117) | - |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (2,839,771) | (1,228,778) |
| Accounts receivables | 63,839 | 210,225 |
| Pledges receivables | (511) | (68,862) |
| Other receivables | 21,370 | 140,324 |
| Prepaid expenses and deposits | 69,554 | (157,981) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,552,613 | 27,418 |
| Accrued liabilities and client trust payable | (39,951) | 322,052 |
| Accrued unemployment liability | 42,097 | 35,727 |
| Deferred revenue | (2,599,517) | 2,394,731 |
| NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES | (3,229,872) | 14,045,087 |
| CASH FLOWS (TO) INVESTING ACTIVITIES: | | |
| Purchase of investments | (5,363) | (14,288,721) |
| Purchase of property and equipment | (319,826) | - |
| NET CASH (USED) BY INVESTING ACTIVITIES | (325,189) | (14,288,721) |
| CASH FLOWS (TO) FROM FINANCING ACTIVITIES: | | |
| Proceeds from paycheck protection program loan | - | 3,146,117 |
| Principal payments on note payable | (457,000) | (313,000) |
| Collection on capital campaign | 102,494 | 107,364 |
| NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES | (354,506) | 2,940,481 |
| NET (DECREASE) INCREASE IN CASH | (3,909,567) | 2,696,847 |
| CASH, BEGINNING OF YEAR | 6,642,254 | 3,945,407 |
| CASH, END OF YEAR | \$ 2,732,687 | \$ 6,642,254 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Cash paid during the year for interest: | \$ 123,125 | \$ 142,285 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

Los Angeles Legal Aid Justice Center, Inc. (“LALAJC”), a nonprofit public benefit corporation established in September 2015, was formed for the purpose of supporting the activities of LAFLA. LALAJC was formed for the purpose of constructing, owning, and leasing a headquarters facility to LAFLA in support of LAFLA’s charitable mission. LALAJC is a qualified, active low-income community business (see Note 19).

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 those 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.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an affect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as (loss) gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds 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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 2021, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 67% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2021, revenue from one government funding source was approximately 19% of total revenue.

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

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. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts are reflected in the financial statements as a deferred revenue liability (see Note 10).

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received, and the related case is ultimately resolved.

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$10,798,677 (see Note 14). The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 27, 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.

3. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 monthly to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of December 31, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 2,732,687 |
| Investments | 17,123,561 |
| Grants receivable | 6,492,176 |
| Pledges receivable (due within one year) | <u>296,865</u> |
| | 26,645,289 |
| Less: net assets with purpose and time restrictions | (1,384,156) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| | <u>\$25,252,476</u> |

LAFLA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$29 million in earned revenue to cover operating expenditures within the next year.

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2021, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2021. Additionally, unamortized discount on pledges receivable is deemed immaterial and accordingly not recorded as of December 31, 2021.

Pledges receivable at December 31, 2021 are expected to be collected as follows:

| | |
|-------------------|------------------|
| Within one year | \$296,865 |
| One to five years | <u>50,000</u> |
| | <u>\$346,865</u> |

5. Notes Receivable

LAFLA has two interest bearing notes receivable due from Chase NMTC LAFLA Investment Fund, LLC, an unrelated entity formed as part of the New Market Tax Credit ("NMTC") arrangement (see Note 19):

Fund Note A is to be repaid by June 2023. Interest only payments at 1.00% are due quarterly with a final payment of all outstanding principal and accrued interest due at maturity.

\$ 1,000,000

Fund Note B is to be repaid by April 2051. Principal and interest payments at 1.00% per annum, in the amount of \$159,692, are due quarterly until maturity.

12,262,600
\$13,262,600

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments at December 31, 2021 consist of the following:

| | |
|---------------------------|---------------------|
| Fixed income | \$16,510,042 |
| Certificates of deposit | 415,204 |
| Bank deposits | 135,170 |
| Cash and cash equivalents | <u>63,145</u> |
| | <u>\$17,123,561</u> |

7. Property and Equipment

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

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$206,002 | \$ 278,658 | \$ 484,660 |
| Building improvements | - | 2,568,826 | 2,568,826 |
| Land | - | 1,521,412 | 1,521,412 |
| Building | - | 1,270,630 | 1,270,630 |
| Law library | - | 315,500 | 315,500 |
| Construction in progress | - | 155,558 | 155,558 |
| Vehicles | - | 22,000 | 22,000 |
| Leasehold improvement | - | 8,175 | 8,175 |
| | <u>206,002</u> | <u>6,140,759</u> | <u>6,346,761</u> |
| Less: accumulated depreciation | <u>(72,932)</u> | <u>(1,740,510)</u> | <u>(1,813,442)</u> |
| | <u>\$133,070</u> | <u>\$ 4,400,249</u> | <u>\$ 4,533,319</u> |

Depreciation expense for the year ended December 31, 2021 was \$290,089.

8. Accrued Liabilities

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

| | |
|---------------------------|--------------------|
| Accrued vacation | \$ 955,511 |
| Accrued payroll | 602,280 |
| Other accrued liabilities | <u>310,846</u> |
| | <u>\$1,868,637</u> |

9. Accrued Unemployment Liability

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2021 of \$283,969, represents estimated future claims arising from payroll paid to December 31, 2021. Unemployment expense for the year ended December 31, 2021 was \$33,174.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

10. Deferred Revenue

Deferred revenue at December 31, 2021 consists of the following:

| | |
|--------------------------------|------------------|
| LSC Basic Field grant | \$262,570 |
| Wells Fargo Foundation grants | 222,053 |
| CA Endowment | 140,630 |
| Equal Access Fund (EAF) grants | 116,295 |
| Others | <u>109,301</u> |
| | <u>\$850,849</u> |

11. Paycheck Protection Program

In April 2020, LAFLA received loan proceeds in the amount of \$3,146,117 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 loan and accrued interest are potentially forgivable after a period of up to twenty-four weeks (the “covered period”) after the date of funding as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness may be reduced if the recipient terminates employees or reduces salaries during the cover period.

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the Small Business Administration (“SBA”) remits the recipient’s forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient’s forgiveness covered period. LAFLA intends to use the proceeds for purposes consistent with the PPP regulations.

On, July 29, 2021, LAFLA’s PPP loan forgiveness application for \$3,146,117 was approved by the SBA. As a result, LAFLA recorded revenue of \$3,146,117 related to PPP loan forgiveness in the year ended December 30, 2021.

The SBA reserves the right to review any loan in their discretion and the SBA will review a loan of any size at any time. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Note Payable

Note payable, related to the NMTC arrangement (see Note 19), at December 31, 2021 consists of the following:

Note payable to a corporation, secured by real property, monthly interest payments of 6.125% per annum, and scheduled annual principal payments ranging from \$500,000 to \$1,000,000, due June 2023. \$1,700,000

Principal payments on the note payable are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|--------------------|
| 2022 | \$ 500,000 |
| 2023 | <u>1,200,000</u> |
| | <u>\$1,700,000</u> |

13. Commitments and Contingencies

Obligations Under Operating Leases

LAFLA leases various equipment and property under operating leases with varying 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 | \$ 1,179,189 |
| 2023 | 1,304,338 |
| 2024 | 1,202,981 |
| 2025 | 1,210,483 |
| 2026 | 980,225 |
| Thereafter | <u>30,924,677</u> |
| | <u>\$36,801,893</u> |

Lease expense under operating leases for the year ended December 31, 2021 was \$1,145,338.

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2021.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

13. Commitments and Contingencies, continued

Impact of the COVID-19 Virus

Following the Los Angeles County and State regulations and protocols, LAFLA has been conducting business as usual while observing social distancing protocols and providing remote work opportunities. The overall, long-term financial impact, if any, of the COVID-19 virus on LAFLA cannot be foreseen at this time and is not reflected in these financial statements.

14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2021 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|---------------------|----------------|----------------|---------------------|
| Fixed income | <u>\$16,510,042</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$16,510,042</u> |

The fair value of fixed income investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|----------------|---------------------|-----------------|---------------------|
| Donated services | \$ - | \$10,798,677 | \$ - | \$10,798,677 |
| Pledged contributions - new | | | 67,647 | 67,647 |
| | <u>\$ -</u> | <u>\$10,798,677</u> | <u>\$67,647</u> | <u>\$10,866,324</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

15. Net Assets With Donor Restrictions

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

Purpose and time restriction:

| | |
|---|----------------|
| Parking | \$ 532,226 |
| Capital campaign | 347,334 |
| East building capital project – time restricted | <u>504,596</u> |
| | 1,384,156 |

In perpetuity:

| | |
|---|--------------------|
| Donor restricted endowment funds (see Note 16) | <u>8,657</u> |
| Net assets with donor restrictions at December 31, 2021 | <u>\$1,392,813</u> |

For the year ended December 31, 2021, net assets released from donor restrictions were \$253,251 which consisted of \$131,478 released for purpose restrictions and \$121,773 for capital restrictions.

16. Endowment

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA’s Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2021 was \$8,657.

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2021, there were no such declines in value below the amount of the original endowments.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 5% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 7%. Actual results during any period may vary from these expectations.

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA's spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2021 is as follows:

| | <u>With Donor Restrictions</u> |
|----------------------------------|---|
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

Changes in endowment net assets as of December 31, 2021 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | <u>\$8,657</u> |
| Endowment net assets, end of year | <u>\$8,657</u> |

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

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

17. Government Contracts

Government contracts for the year ended December 31, 2021 consist of the following:

| | |
|---|---------------------|
| Legal Services Corporation | \$ 7,761,909 |
| LA County Eviction Defense Program | 5,146,915 |
| Equal Access Funds | 2,530,202 |
| HUD Eviction Defense Program | 2,520,599 |
| Interest on Lawyer Trust Account | 1,796,623 |
| Shriver Housing Project | 916,304 |
| Self Help Legal Access Centers | 815,567 |
| CalWORKs Domestic Violence Program | 802,734 |
| LA County DHS – CBEST | 781,344 |
| Medical Legal Partnerships | 559,597 |
| Domestic Violence Clinic and Community Legal Service | 551,732 |
| Assistance to Victims of Torture | 477,121 |
| Project Impact | 396,582 |
| Measure H | 356,433 |
| Other | 345,129 |
| Services for Trafficking Victims | 234,342 |
| Legal Assistance for Victims | 232,036 |
| Crime Victim Assistance | 206,000 |
| California Governor's Office of Business and Economic Development | 181,101 |
| LA County DOORS | 167,383 |
| Los Angeles Justice Fund | 164,215 |
| The California Endowment | 145,881 |
| CDSS – Immigration Services | 93,430 |
| Equal Access Partnership | 88,302 |
| Crime Victim Assistance/Discretionary Grants | 65,691 |
| Supportive Services for Veterans Families | <u>42,000</u> |
| | <u>\$27,379,172</u> |

18. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2021 were \$677,369.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

19. New Headquarters Development and New Market Tax Credits

Construction of the four-story, 45,770 square foot Ron Olsen Justice Center building, located at 1550 West 8th Street, Los Angeles was completed in Fall 2017 at a cost of \$17.9 million.

To finance the project, LAFLA entered into a NMTC financing arrangement. The NMTC Program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investment. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2023.

As part of the arrangement, LAFLA issued notes receivable totaling \$13,262,600, to an investment fund. The funding for the notes receivable was derived from a short-term bridge loan from a financial institution, a \$6,200,000 loan from a development corporation, and over \$5.72 million in capital campaign funds raised. In addition to the notes issued to the investment fund, a third-party NMTC investor also made an equity investment into the investment fund of roughly \$6.49 million. For their investment, the NMTC investor holds a 100% equity member interest in the investment fund and is also entitled to the NMTC tax credits. The investment fund, through 99% owned community development entities, made qualified low-income community investments in the form of loans collectively totaling roughly \$19.3 million to LALAJC to complete the project. Approximately \$1.7 million was transferred back to LAFLA as a reimbursement to settle the short-term bridge loan used to facilitate the arrangement.

The final component of the arrangement involved LAFLA entering into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreement, the NMTC investor can exercise a put option to sell all interest in the investment fund for \$1,000. If the NMTC investor does not exercise the put option, then the agreement allows LAFLA to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

While under construction, and as part of the financing arrangement, LAFLA transferred title to the property to LALAJC. Following completion, LALAJC began leasing the building to LAFLA under an operating lease allowing LAFLA to utilize the property as their headquarters for serving the needs of the surrounding low-income communities.

20. Related Party Transactions

LAFLA leases the Ron Olson Justice Center building from LALAJC under an operating lease. Rental payments paid to LALAJC for the year ended December 31, 2021 was \$731,187, (see Note 19).

Additionally, LAFLA has no contribution receivable from LALAJC as of December 31, 2021. Total amount of contribution from LALAJC for the year ended December 31, 2021 was \$450,000.

SUPPLEMENTAL INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2021

| | |
|--|--------------------------|
| Support | |
| Basic grant (\$6,826,158 x 12.5%) | \$ 853,270 |
| | <hr/> |
| Total support | 853,270 |
| | <hr/> |
| Expenses | |
| Personnel salaries: | |
| Attorneys | 812,712 |
| Employee benefits | 196,640 |
| Payroll taxes | 105,158 |
| Clerical and other | 68,770 |
| Paralegals | 61,637 |
| Total personnel costs | <hr/> 1,244,917 |
| Travel and training | <hr/> - |
| | <hr/> |
| Total direct expenses | 1,244,917 |
| | <hr/> |
| Space and occupancy | 116,006 |
| Equipment rental and maintenance | 37,858 |
| Telephone | 35,154 |
| Office supplies and expenses | 22,416 |
| Service to programs | 16,056 |
| Litigation | 12,389 |
| Library | 12,128 |
| Insurance | <hr/> 7,441 |
| | <hr/> |
| Total indirect expenses | 259,448 |
| | <hr/> |
| Total expenses | 1,504,365 |
| | <hr/> |
| Net PAI expenses over the requirement threshold | <u><u>\$ 651,095</u></u> |

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS
For the year ended December 31, 2021

| | Basic Field | LSC Covid-19 Response | Property(I) | Total |
|--------------------------------------|------------------------|----------------------------------|--------------------|-------------------|
| Revenue and support | | | | |
| Basic grant | \$ 7,317,702 | \$ 444,207 | \$ - | \$ 7,761,909 |
| Attorney fees | 5,139 | | | 5,139 |
| Interest income | 8,011 | | | 8,011 |
| Unrealized (loss) on investment | (15,849) | | | (15,849) |
| Total revenue and support | <u>7,315,003</u> | <u>444,207</u> | <u>-</u> | <u>7,759,210</u> |
| Expenses | | | | |
| Personnel salaries: | | | | |
| Clerical and other | 2,075,504 | 16,544 | | 2,092,048 |
| Attorneys | 1,519,730 | 81,417 | | 1,601,147 |
| Employee benefits | 891,844 | 22,741 | | 914,585 |
| Paralegals | 521,458 | 19,448 | | 540,906 |
| Payroll taxes | 405,053 | 11,622 | | 416,675 |
| Total personnel costs | <u>5,413,589</u> | <u>151,772</u> | | <u>5,565,361</u> |
| Space and occupancy | 876,730 | 21,416 | | 898,146 |
| Telephone | 235,317 | 107,776 | | 343,093 |
| Equipment rental and maintenance | 314,156 | 4,180 | | 318,336 |
| Office supplies and expenses | 121,551 | 149,249 | | 270,800 |
| Library | 85,664 | 6,263 | | 91,927 |
| Insurance | 64,451 | 1,658 | | 66,109 |
| Service to program | 57,540 | 630 | | 58,170 |
| Other | 42,849 | 305 | | 43,154 |
| Depreciation | | | 56,635 | 56,635 |
| Training | 34,573 | | | 34,573 |
| Audit | 32,032 | | | 32,032 |
| Litigation | 27,487 | | | 27,487 |
| Travel | 9,064 | | | 9,067 |
| Service to clients | | | | - |
| Total expenses | <u>7,315,003</u> | <u>444,207</u> | <u>56,635</u> | <u>7,815,845</u> |
| Change in net assets | - | - | (56,635) | (56,635) |
| Net assets, beginning of year | | | 25,438 | 25,438 |
| Acquisition of equipment, net | | | 164,267 (2) | 164,267 |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 133,070</u> | <u>\$ 133,070</u> |
| Deferred at December 31, 2021 | <u>\$ 262,570</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 262,570</u> |

(1) The column is new to this schedule presentation in 2021. LAFLA has tracked and reported LSC funded fixed assets, and disclosed them in the footnotes to the audited financial statements. This column has been added in 2021 for increased transparency, and agrees with the LSC funded fixed assets disclosed in the audited financial statement Footnote 7.

(2) In 2021, LAFLA noted that LSC fixed assets, properly expensed under LSC basic funding in 2020 and with advanced approval in 2020, were not properly disclosed. As such, this amount is being included in the current year to reconcile total LSC funded fixed assets. All appropriate compliance procedures were also performed on this acquisition.

EXHIBIT 3

EXHIBIT 3



LEGAL AID FOUNDATION OF LOS ANGELES

SINGLE AUDIT REPORTS

DECEMBER 31, 2022

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Legal Aid Foundation of Los Angeles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2022 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Foundation of Los Angeles' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Foundation of Los Angeles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California

April 28, 2023

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Aid Foundation of Los Angeles' compliance with the types of compliance requirements identified as subject to audit in the *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* and U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Legal Aid Foundation of Los Angeles' major federal programs for the year ended December 31, 2022. Legal Aid Foundation of Los Angeles' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid Foundation of Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Foundation of Los Angeles and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid Foundation of Los Angeles' federal programs.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid Foundation of Los Angeles' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid Foundation of Los Angeles' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid Foundation of Los Angeles' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Legal Aid Foundation of Los Angeles as of and for the year ended December 31, 2022, and have issued our report thereon dated April 28, 2023, which contained an unmodified opinion on those financial statements. 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 and non-federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California

April 28, 2023

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended December 31, 2022

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|-----------------|-----------------------------------|----------------------|-------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Federal Awards | | | | | | |
| Legal Services Corporation: | | | | | | |
| Direct from, Legal Services Corporation: | | | | | | |
| Legal Services for Low Income - Basic Field Grant | 805080 | 9.80508 | \$ 7,199,954 | \$ - | \$ 7,199,954 | \$ - |
| Pro Bono Innovation Fund-Special Grant | GT-PB22P-00001 | 9.80508 | 6,614 | | 6,614 | |
| Total Legal Services Corporation | | | 7,206,568 | - | 7,206,568 | - |
| U.S. Department of Health and Human Services ("DHHS"), Office of Refugee Resettlement: | | | | | | |
| Direct from, DHHS: | | | | | | |
| Assistance for Torture Victims | 90ZT020802 | 93.604 | 369,626 | | 369,626 | 31,875 |
| 477 Cluster: | | | | | | |
| Pass-through, County of Los Angeles, Department of Public Social Services: | | | | | | |
| Temporary Assistance for Needy Families | PH-004251 | 93.558 | 338,225 | | 338,225 | |
| Temporary Assistance for Needy Families | PH-004251 | 93.558 | 252,394 | | 252,394 | |
| | | | 590,619 | | 590,619 | |
| Total DHHS | | | 960,245 | - | 960,245 | 31,875 |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Direct from, DOJ: | | | | | | |
| Legal Assistance for Victims | 2019-WL-AX-0003 | 16.524 | 191,407 | | 191,407 | 62,637 |
| Services for Trafficking Victims | 2019-VT-BX-0065 | 16.320 | 282,064 | | 282,064 | |
| | | | 473,471 | - | 473,471 | |
| Pass-through, California Governor's Office of Emergency Services: | | | | | | |
| Crime Victim Assistance | XI.21-04-1010 | 16.575 | 206,000 | | 206,000 | |
| Total DOJ | | | 679,471 | - | 679,471 | 62,637 |
| U.S. Department of Housing and Urban Development ("HUD"): | | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Community Development Block Grants (CDBG)/Entitlement Grants | N/A | 14.218 | 3,604,844 | | 3,604,844 | 2,582,601 |
| Total HUD | | | 3,604,844 | - | 3,604,844 | 2,582,601 |
| U.S. Department of the Treasury ("DOT"): | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Emergency Rental Assistance Program - American Rescue Plan Act of 2021 | C-138260 | 21.023 | 2,567,419 | | 2,567,419 | 1,978,562 |
| Pass-through, County of Los Angeles, Dept. of Consumer and Business Affairs: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | CA22-019 | 21.027 | 4,049,663 | | 4,049,663 | 3,253,350 |
| Pass-through, State Bar of California: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 545,602 | | 545,602 | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 120,626 | | 120,626 | 65,000 |
| | | | 4,715,891 | - | 4,715,891 | 3,318,350 |
| Total DOT | | | 7,283,310 | - | 7,283,310 | 5,296,912 |
| U.S. Department of Veterans Affairs ("VA"): | | | | | | |
| Pass-through, United States Veterans Initiative: | | | | | | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 31,500 | | 31,500 | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 10,500 | | 10,500 | |
| Total VA | | | 42,000 | - | 42,000 | - |
| Total Federal Awards | | | 19,776,438 | - | 19,776,438 | 7,974,025 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended December 31, 2022

continued

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|------------------|-----------------------------------|----------------------|---------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Non-federal Awards | | | | | | |
| Neighborhood Legal Services of Los Angeles County: | | | | | | |
| Self Help Legal Access Centers-Long Beach | N/A | N/A | | 312,560 | 312,560 | |
| Self Help Legal Access Centers-Santa Monica | N/A | N/A | | 200,650 | 200,650 | |
| Self Help Legal Access Centers-Torrance | N/A | N/A | | 192,450 | 192,450 | |
| Self Help Legal Access Centers-Inglewood | N/A | N/A | | 132,130 | 132,130 | |
| Shriver Housing Project | 1035248 | N/A | | 495,929 | 495,929 | |
| Shriver Housing Project | 1035248 | N/A | | 174,529 | 174,529 | |
| Medical Legal Partnership - Long Beach | N/A | N/A | | 148,156 | 148,156 | |
| Medical Legal Partnership - Rancho | N/A | N/A | | 133,135 | 133,135 | |
| Medical Legal Partnership - MLK | N/A | N/A | | 149,806 | 149,806 | |
| | | | - | 1,939,345 | 1,939,345 | |
| City of Santa Monica: | | | | | | |
| General Community Legal Service Program | N/A | N/A | | 597,243 | 597,243 | 30,023 |
| Santa Monica Supplemental UD Support Grant | | N/A | | 36,926 | 36,926 | |
| Santa Monica RTC | n/a | N/A | | 109,562 | 109,562 | 10,530 |
| | | | | 743,731 | 743,731 | 40,553 |
| State Bar of California: | | | | | | |
| Interest on Lawyers Trust Account | N/A | N/A | | 1,579,240 | 1,579,240 | |
| Provisionally Licensed Lawyers | N/A | N/A | | 20,026 | 20,026 | |
| CAA2JC (via Neighborhood Legal Services) | N/A | N/A | | 9,300 | 9,300 | |
| EDD Unemployment Language Opportunity Program (via SHF) | N/A | N/A | | 4,058 | 4,058 | |
| CA Governor's Office of Business and Economic Development | CalCRG-2022-1596 | N/A | | 49,433 | 49,433 | |
| Equal Access Fund | N/A | N/A | | 1,101,921 | 1,101,921 | |
| The State Bar of California - EAF Homelessness Prevention - EDS | N/A | N/A | | 323,160 | 323,160 | |
| The State Bar of California - Renters Small Claims Project | N/A | N/A | | 216,667 | 216,667 | |
| Equal Access Partnership | N/A | N/A | | 84,000 | 84,000 | |
| The State Bar of California - Self Help Remote Tech Access Project | N/A | N/A | | 55,052 | 55,052 | |
| CDSS | SG-ISF-20-0056 | N/A | | 40,735 | 40,735 | |
| CDSS | SG-ISF-21-0049 | N/A | | 38,265 | 38,265 | |
| The California Endowment | 20193092.1 | N/A | | 185,666 | 185,666 | |
| | | | - | 3,707,523 | 3,707,523 | - |
| Inner City Law Center: | | | | | | |
| Measure H | 2017CNGFH182 | N/A | | 217,945 | 217,945 | |
| Measure H | 2017CNGFH182 | N/A | | 267,992 | 267,992 | |
| | | | | 485,937 | 485,937 | - |
| City of Los Angeles: | | | | | | |
| Project Impact | C-137137 | N/A | | 418,567 | 418,567 | |
| City of Los Angeles - CD10 | C-138260 | N/A | | 66,958 | 66,958 | 32,098 |
| City of Los Angeles - CD11 | C-138260 | N/A | | 22,756 | 22,756 | |
| | | | | 508,281 | 508,281 | 32,098 |
| County of Los Angeles: | | | | | | |
| Eviction Defense Program | N/A | N/A | | 3,420,200 | 3,420,200 | 2,572,774 |
| DOORS | ODR-02-003 | N/A | | 184,692 | 184,692 | |
| County of Los Angeles - SM ARP DV Shelter & Support | N/A | N/A | | 12,719 | 12,719 | |
| CBEST | H-707740 | N/A | | 586,406 | 586,406 | |
| | | | - | 4,204,017 | 4,204,017 | 2,572,774 |
| Others: | | | | | | |
| | N/A | | | 196,389 | 196,389 | |
| Total Non-federal Awards | | | - | 11,785,223 | 11,785,223 | 2,645,425 |
| Total Federal and Non-federal Awards | | | \$ 19,776,438 | \$ 11,785,223 | \$ 31,561,661 | \$ 10,619,450 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Legal Aid Foundation of Los Angeles (“LAFLA”), under the programs of the federal government for the year ended December 31, 2022. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAFLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAFLA.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. LAFLA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

LAFLA provided the following federal awards to sub-recipients during the year ended December 31, 2022:

| <u>Name</u> | <u>CFDA</u> | <u>Amount</u> |
|-----------------------------------|-------------|------------------|
| Public Counsel | 93.604 | <u>\$ 31,875</u> |
| Liberty Hill Foundation | 14.218 | 709,735 |
| Inner City Law Center | 14.218 | 590,887 |
| Eviction Defense Network | 14.218 | 361,250 |
| Neighborhood Legal Services | 14.218 | 316,136 |
| Housing Rights Center | 14.218 | 274,843 |
| Basta | 14.218 | 248,025 |
| Mental Health Advocacy Services | 14.218 | 40,578 |
| Bet Tzedek | 14.218 | 36,197 |
| Asian Americans Advancing Justice | 14.218 | <u>4,950</u> |
| | | <u>2,582,601</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2022

3. Pass-through to Sub-recipients, continued

| | | |
|-----------------------------------|--------|--------------------|
| Women Shelter of Long Beach | 16.524 | 15,000 |
| Thai Community Development Center | 16.524 | 13,750 |
| Center For the Pacific | 16.524 | 13,458 |
| Thai Community Development Center | 16.524 | 12,500 |
| Korean American Family Services | 16.524 | <u>7,929</u> |
| | | <u>62,637</u> |
| | | |
| Basta, Inc | 21.023 | 552,701 |
| Liberty Hill Foundation | 21.023 | 486,882 |
| Inner City Law Center | 21.023 | 295,985 |
| Neighborhood Legal Services | 21.023 | 244,360 |
| Housing Rights Center | 21.023 | 200,000 |
| Eviction Defense Network | 21.023 | 91,175 |
| Mental Health Advocacy Services | 21.023 | 54,063 |
| Bet Tzedek | 21.023 | <u>53,396</u> |
| | | <u>1,978,562</u> |
| | | |
| LA CAN | 21.027 | 32,500 |
| SAJE | 21.027 | 32,500 |
| Liberty Hill Foundation | 21.027 | 874,272 |
| Housing Rights Center | 21.027 | 832,383 |
| Inner City Law Center | 21.027 | 525,239 |
| Neighborhood Legal Services | 21.027 | 284,719 |
| Public Counsel | 21.027 | 199,871 |
| Bet Tzedek | 21.027 | 197,609 |
| Community Legal Aid SoCal | 21.027 | 161,914 |
| Basta | 21.027 | 107,551 |
| Eviction Defense Network | 21.027 | 33,960 |
| Mental Health Advocacy Services | 21.027 | 29,065 |
| Asian Americans Advancing Justice | 21.027 | <u>6,767</u> |
| | | <u>3,318,350</u> |
| Total | | <u>\$7,974,025</u> |

4. Other Information

LAFILA did not receive federal insurance, loans, or non-cash assistance during the year ended December 31, 2022, that are required to be reported on the Schedule.

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No*

*(Consistent with Audit Bulletin 97 – 01, the LSC recipient cannot be considered a “low-risk auditee”)

Identification of Major Programs:

Legal Services Corporation:

Legal Services for Low Income 9.80508

U.S. Department of the Treasury:

Coronavirus State and Local Fiscal Recovery Funds 21.027

Emergency Rental Assistance Program 21.023

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.

LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Foundation of Los Angeles 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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 Revenue, Support, Expenses, and Changes in Net Assets for Legal Services Corporation ("LSC") Funds, as required by the LSC *Audit Guide for Recipients* 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 28, 2023

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2022

With comparative totals at December 31, 2021

| | 2022 | 2021 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 6,471,226 | \$ 2,732,687 |
| Clients' trust deposits (Note 2) | 3,702 | 5,212 |
| Grants receivable | 7,190,508 | 6,492,176 |
| Pledges receivable (Note 4) | 1,459,763 | 346,865 |
| Accounts receivable | 90,332 | - |
| Other receivables | 5,612 | - |
| Prepaid expenses and deposits | 193,130 | 291,622 |
| Investments (Note 5) | 16,317,780 | 17,123,561 |
| Land held for sale | - | 10,000 |
| Right of use assets - operating (Note 11) | 1,078,400 | - |
| Notes receivable (Note 6) | 13,262,600 | 13,262,600 |
| Property and equipment (Note 7) | 4,160,879 | 4,533,319 |
| | \$ 50,233,932 | \$ 44,798,042 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 5,765,239 | \$ 2,471,717 |
| Accrued liabilities (Note 8) | 1,853,494 | 1,868,637 |
| Clients' trust deposits payable (Note 2) | 3,702 | 5,212 |
| Accrued unemployment liability (Note 9) | 196,381 | 283,969 |
| Deferred revenue (Note 10) | 3,379,527 | 850,849 |
| Operating lease liabilities (Note 11) | 1,128,991 | - |
| Note payable (Note 12) | 1,200,000 | 1,700,000 |
| | 13,527,334 | 7,180,384 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 25,422,921 | 27,595,445 |
| Designated by the Board for operating reserve | 8,629,400 | 8,629,400 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 15) | 2,645,620 | 1,384,156 |
| Perpetual in nature (Note 15) | 8,657 | 8,657 |
| | 36,706,598 | 37,617,658 |
| TOTAL NET ASSETS | 36,706,598 | 37,617,658 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 50,233,932 | \$ 44,798,042 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

With comparative totals for the year ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 | 2021 |
|---|-------------------------------|----------------------------|--------------------|-------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 31,561,661 | \$ - | \$ 31,561,661 | \$ 27,379,172 |
| Donated services (Note 2) | 11,876,329 | | 11,876,329 | 10,798,677 |
| Contributions - capital campaign | | 1,543,823 | 1,543,823 | 67,136 |
| Cy pres | 897,585 | | 897,585 | 261,828 |
| Miscellaneous income | 882,601 | | 882,601 | 385,224 |
| Grants and contributions | 522,321 | 182,532 | 704,853 | 826,636 |
| Special events (net of expenses of \$229,023) | 601,612 | | 601,612 | 758,913 |
| Contribution from LALAJC (Note 20) | 500,000 | | 500,000 | 450,000 |
| Interest income | 441,204 | | 441,204 | 367,639 |
| Attorney fees | 437,744 | | 437,744 | 20,340 |
| Net assets released from purpose restrictions (Note 15) | 88,812 | (88,812) | - | - |
| Net assets released from capital restrictions (Note 15) | 376,079 | (376,079) | - | - |
| | 48,185,948 | 1,261,464 | 49,447,412 | 41,315,565 |
| EXPENSES | | | | |
| Program services | 42,102,897 | | 42,102,897 | 36,090,996 |
| Management and general | 6,893,405 | | 6,893,405 | 4,274,683 |
| Fundraising | 234,049 | | 234,049 | 268,356 |
| | 49,230,351 | - | 49,230,351 | 40,634,035 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | (1,044,403) | 1,261,464 | 217,061 | 681,530 |
| OTHER CHANGES | | | | |
| (Loss) on investments | (1,128,121) | | (1,128,121) | (466,892) |
| Forgiveness of paycheck protection program loan | | | - | 3,146,117 |
| | (1,128,121) | - | (1,128,121) | 2,679,225 |
| CHANGE IN NET ASSETS | (2,172,524) | 1,261,464 | (911,060) | 3,360,755 |
| NET ASSETS, BEGINNING OF YEAR | 36,224,845 | 1,392,813 | 37,617,658 | 34,256,903 |
| NET ASSETS, END OF YEAR | \$ 34,052,321 | \$ 2,654,277 | \$ 36,706,598 | \$ 37,617,658 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022
With comparative totals for the year ended December 31, 2021

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---|----------------------|-------------------------------|------------------------|-----------------------|----------------------------|----------------------|------------------------------|------------------------------|-------------------|----------------------|----------------------|
| | Right to Counsel | Eviction Defense Center | Supporting Families | Economic Stability | Housing and Communities | Other | | | | 2022 | 2021 |
| Salaries and wages | \$ 861,595 | \$ 2,866,048 | \$ 1,742,110 | \$ 1,403,250 | \$ 1,163,669 | \$ 5,581,371 | \$ 13,618,043 | \$ 2,553,310 | \$ 172,127 | \$ 16,343,480 | \$ 14,491,826 |
| Employee benefits | 151,801 | 497,554 | 379,153 | 308,337 | 252,076 | 471,457 | 2,060,378 | 342,860 | 25,186 | 2,428,424 | 2,718,451 |
| Payroll taxes | 64,598 | 215,394 | 168,422 | 135,917 | 111,986 | 1,073,333 | 1,769,650 | 198,268 | 17,195 | 1,985,113 | 1,288,905 |
| Total personnel costs | 1,077,994 | 3,578,996 | 2,289,685 | 1,847,504 | 1,527,731 | 7,126,161 | 17,448,071 | 3,094,438 | 214,508 | 20,757,017 | 18,499,182 |
| Donated services (Note 2) | 5,092,516 | 1,425,565 | 1,015,870 | 807,070 | 689,430 | 2,845,878 | 11,876,329 | | | 11,876,329 | 10,798,676 |
| Services to clients | 10,428,548 | | 32,982 | | 67,258 | 90,905 | 10,619,693 | | | 10,619,693 | 6,706,426 |
| Space and occupancy | 62,363 | 207,643 | 121,827 | 141,804 | 60,129 | 434,596 | 1,028,362 | 1,132,784 | 5,760 | 2,166,906 | 1,726,141 |
| Contract services | | 3,430 | 1,645 | 13,116 | 16,830 | 35,021 | 594,555 | 600 | | 630,176 | 166,503 |
| Telephone | 17,351 | 39,883 | 24,715 | 21,601 | 15,850 | 90,682 | 210,082 | 400,698 | 868 | 611,648 | 525,787 |
| Equipment rental and maintenance | 12,478 | 32,319 | 18,352 | 15,440 | 11,358 | 65,386 | 155,333 | 340,608 | 3,740 | 499,681 | 561,467 |
| Depreciation | | | | | | | - | 422,134 | | 422,134 | 290,089 |
| Other expenses | 8,015 | 11,118 | 15,166 | 9,207 | 1,767 | 25,134 | 70,407 | 213,470 | 7,430 | 291,307 | 151,173 |
| Training | 207 | 156,000 | 9,578 | 2,109 | 5,499 | 7,517 | 180,910 | 82,168 | 425 | 263,503 | 82,159 |
| Office supplies and expense | 12,388 | 15,217 | 12,241 | 11,120 | 8,933 | 45,627 | 105,526 | 127,173 | 324 | 233,023 | 271,284 |
| Insurance | 5,785 | 9,925 | 7,341 | 6,506 | 4,370 | 21,997 | 55,924 | 144,256 | 157 | 200,337 | 146,527 |
| Library | 7,356 | 19,911 | 11,658 | 11,102 | 7,526 | 39,529 | 97,082 | 92,275 | 65 | 189,422 | 180,556 |
| Litigation | 17,143 | 59,203 | 22,312 | 1,581 | 6,833 | 39,130 | 146,202 | 22,274 | 13 | 168,489 | 183,035 |
| Interest expense | | | | | | | - | 86,480 | | 86,480 | 120,463 |
| Audit | | | | | | | - | 67,300 | | 67,300 | 76,500 |
| Capital expenditures (below capitalization) | 22,300 | 7,337 | 2,438 | | 348 | 8,015 | 40,438 | 13,005 | 112 | 53,555 | 63,197 |
| Bad debt expense | | | | | | | - | 35,860 | | 35,860 | - |
| Postage | 1,043 | 3,481 | 4,060 | 434 | 1,065 | 5,711 | 15,794 | 17,316 | 46 | 33,156 | 61,394 |
| Travel | 986 | 3,290 | 5,440 | 2,935 | 1,951 | 3,121 | 17,723 | 6,611 | 1 | 24,335 | 23,476 |
| TOTAL 2022 FUNCTIONAL EXPENSES | \$ 16,766,473 | \$ 5,573,318 | \$ 3,593,665 | \$ 2,880,058 | \$ 2,423,164 | \$ 10,866,219 | \$ 42,102,897 | \$ 6,893,405 | \$ 234,049 | \$ 49,230,351 | |
| TOTAL 2021 FUNCTIONAL EXPENSES | \$ 11,944,727 | \$ 3,847,321 | \$ 3,838,180 | \$ 3,112,929 | \$ 2,535,574 | \$ 10,812,265 | \$ 36,090,996 | \$ 4,274,683 | \$ 268,356 | | \$ 40,634,035 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
With comparative totals for the year ended December 31, 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| CASH FLOWS (TO) FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (911,060) | \$ 3,360,755 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 422,134 | 290,089 |
| Gain on disposal of property and equipment | - | (169,065) |
| Contributions restricted for capital campaign | (1,543,823) | (67,136) |
| Unrealized loss (gain) on investments | 1,128,121 | 466,892 |
| Interest and dividends reinvested | (308,578) | (235,013) |
| Forgiveness of paycheck protection program loan | - | (3,146,117) |
| Reclassification of land held for sale | (10,000) | - |
| Bad debt written off | 35,860 | - |
| Amortization of right-of-use assets - operating | 371,791 | - |
| Payments on operating lease liabilities | (321,200) | - |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (698,332) | (2,839,771) |
| Accounts receivables | (90,332) | 63,839 |
| Pledges receivable | - | (511) |
| Land held for sale | 10,000 | - |
| Other receivables | (5,612) | 21,370 |
| Prepaid expenses and deposits | 98,492 | 69,554 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 3,293,522 | 1,552,613 |
| Accrued liabilities and client trust payable | (15,143) | (39,951) |
| Accrued unemployment liability | (87,588) | 42,097 |
| Deferred revenue | 2,528,678 | (2,599,517) |
| | 3,896,930 | (3,229,872) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| CASH FLOWS (TO) INVESTING ACTIVITIES: | | |
| Purchase of investments | (13,762) | (5,363) |
| Purchase of property and equipment | (39,694) | (319,826) |
| | (53,456) | (325,189) |
| NET CASH (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS (TO) FROM FINANCING ACTIVITIES: | | |
| Principal payments on note payable | (500,000) | (457,000) |
| Collection on capital campaign | 395,065 | 102,494 |
| | (104,935) | (354,506) |
| NET CASH (USED) BY FINANCING ACTIVITIES | | |
| NET INCREASE (DECREASE) IN CASH | 3,738,539 | (3,909,567) |
| CASH, BEGINNING OF YEAR | 2,732,687 | 6,642,254 |
| CASH, END OF YEAR | \$ 6,471,226 | \$ 2,732,687 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid during the year for interest: | \$ 87,634 | \$ 123,125 |
| Non-cash operating and financing activity: | | |
| Right-of-use asset/liability from adoption of ASC 842 | \$ 1,413,963 | \$ - |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

Los Angeles Legal Aid Justice Center, Inc. (“LALAJC”), a nonprofit public benefit corporation established in September 2015, was formed for the purpose of supporting the activities of LAFLA. LALAJC was formed for the purpose of constructing, owning, and leasing a headquarters facility to LAFLA in support of LAFLA’s charitable mission. LALAJC is a qualified, active low-income community business (see Note 19).

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 - Undesignated. 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.

Without Donor Restrictions - Designated by the Board. The Board of Directors has designated certain resources for a capital reserve to assure long-term stability in light of uncertainties with funding sources. Accordingly, these amounts are shown as without donor restriction - and are not to be used for general operations without a majority vote of the Board. The designated amount was \$8,629,400 at December 31, 2022.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 those 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.

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as (loss) gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds that are not used for operations are treated as investments.

LAFLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that change in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair Value 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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

Concentrations and Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 64% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2022, revenue from one government funding source was approximately 15% of total revenue.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. LAFLA's financial statements for the year ended December 31, 2022, are presented in accordance with ASU 2020-07.

LAFLA adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements effective January 1, 2022. LAFLA elected not to restate the comparative period (2021). LAFLA also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, LAFLA recognized right-of-use ("ROU") assets of \$1,413,963 and lease liabilities totaling \$1,413,963 in its Statement of Financial Position as of January 1, 2022. The discount rate used to record the ROU asset and lease liability at the transition date of January 1, 2022, was 4.5%. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended December 31, 2022.

Leases

LAFLA applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. LAFLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. LAFLA further determined that all the existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statement of Financial Position.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

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. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts, if any, are reflected in the financial statements as a deferred revenue liability.

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received, and the related case is ultimately resolved.

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$11,876,329 for the year ended December 31, 2022. Contributed services are valued and reported in the financial statements at their estimated fair value based on average prevailing billing rates, by position, of the participating legal firms or attorneys in the region. There were no donor-imposed restrictions on the donated services and were used entirely for programs services and shown on Statement of Functional Expense.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

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.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts from the December 31, 2021 financial statements have been reclassified for comparative purposes to conform to the December 31, 2022 presentation.

3. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 monthly to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of December 31, 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash | \$ 6,471,226 |
| Investments | 16,317,780 |
| Grants receivable | 7,190,508 |
| Pledges receivable (due within one year) | <u>1,207,286</u> |
| | 31,186,800 |
| Less: net assets with purpose and time restrictions | (2,645,620) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| Total financial assets available within one year for general expenditures | <u>\$28,532,523</u> |

LAFILA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$29 million in earned revenue to cover operating expenditures within the next year.

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2022, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2022. Additionally, a discount on pledges receivable, for pledges due in more than one year, is deemed immaterial, and accordingly, is not recorded as of December 31, 2022.

Pledges receivable at December 31, 2022 are expected to be collected as follows:

| | |
|-------------------|--------------------|
| Within one year | \$1,207,286 |
| One to five years | <u>252,477</u> |
| | <u>\$1,459,763</u> |

5. Investments

Investments at December 31, 2022 consist of the following:

| | |
|---------------------------|---------------------|
| Fixed income | \$15,709,660 |
| Certificates of deposit | 192,916 |
| Cash and cash equivalents | <u>415,204</u> |
| | <u>\$16,317,780</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

6. Notes Receivable

LAFLA has two interest bearing notes receivable due from Chase NMTC LAFLA Investment Fund, LLC, an unrelated entity formed as part of the New Market Tax Credit ("NMTC") arrangement (see Note 19):

Fund Note A is to be repaid by June 2023. Interest only payments at 1.00% are due quarterly with a final payment of all outstanding principal and accrued interest due at maturity. \$ 1,000,000

Fund Note B is to be repaid by April 2051. Principal and interest payments at 1.00% per annum, in the amount of \$159,692, are due quarterly until maturity. 12,262,600
\$13,262,600

7. Property and Equipment

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

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$ 206,002 | \$ 279,110 | \$ 485,112 |
| Building improvements | | 2,568,826 | 2,568,826 |
| Land | | 1,531,412 | 1,531,412 |
| Building | | 1,270,630 | 1,270,630 |
| Law library | | 315,500 | 315,500 |
| Construction in progress | | 194,893 | 194,893 |
| Vehicles | | 22,000 | 22,000 |
| Leasehold improvement | | 8,175 | 8,175 |
| | <u>206,002</u> | <u>6,190,546</u> | <u>6,396,548</u> |
| Less: accumulated depreciation | <u>(111,034)</u> | <u>(2,124,635)</u> | <u>(2,235,669)</u> |
| | <u>\$ 94,968</u> | <u>\$ 4,065,911</u> | <u>\$ 4,160,879</u> |

Depreciation expense for the year ended December 31, 2022 was \$422,134.

8. Accrued Liabilities

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

| | |
|---------------------------|--------------------|
| Accrued vacation | \$1,016,724 |
| Accrued payroll | 665,353 |
| Other accrued liabilities | <u>171,417</u> |
| | <u>\$1,853,494</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

9. Accrued Unemployment Liability

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2022 of \$196,381, represents estimated future claims arising from payroll paid to December 31, 2022. Unemployment expense for the year ended December 31, 2022 was \$33,174.

10. Deferred Revenue

Deferred revenue at December 31, 2022 consists of the following:

| | |
|--------------------------------|--------------------|
| Equal access fund (EAF) grants | \$1,936,409 |
| Ballmer grant | 604,862 |
| State Bar SHRTA | 244,948 |
| Wells Fargo foundation | 210,827 |
| HP III – TEAP | 149,374 |
| Renters small claim project | 114,923 |
| Others | 63,220 |
| CA endowment | 54,964 |
| | <u>\$3,379,527</u> |

11. Operating Leases

LAFLA evaluated current contracts to determine which met the criteria of a lease. ROU assets represent LAFLA's right to use underlying assets for the lease term, and the lease liabilities represent LAFLA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. LAFLA used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, LAFLA uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

LAFLA's operating leases consist primarily of an equipment lease and leases for office space. The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of December 31, 2022. No additional options have been included.

Cash paid for these operating leases for the year ended December 31, 2022 was \$321,200. There were no non-cash financing transactions related to leasing during the year ended December 31, 2022.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

11. Operating Leases, continued

Future maturities under operating leases are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|--------------------|
| 2023 | \$ 519,471 |
| 2024 | 342,609 |
| 2025 | 226,735 |
| 2026 | <u>135,296</u> |
| | 1,224,111 |
| Less: present value discount | <u>(95,120)</u> |
| | <u>\$1,128,911</u> |

Lease expense under operating leases for the year ended December 31, 2022 was \$1,332,379.

12. Note Payable

Note payable, related to the NMTC arrangement (see Note 19), at December 31, 2022 consists of the following:

Note payable to a corporation, secured by real property, monthly interest payments of 6.125% per annum, and scheduled annual principal payments ranging from \$500,000 to \$1,000,000, due June 2023. \$1,200,000

Principal payments on the note payable are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|--------------------|
| 2023 | <u>\$1,200,000</u> |

13. Commitments and Contingencies

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2022.

The Small Business Administration ("SBA") reserves the right to review any loan made at their discretion. The SBA has indicated that it will review loans of \$2 million or more. Areas of review may include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2022 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|---------------------|----------------|----------------|---------------------|
| Fixed income | <u>\$15,709,660</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$15,709,660</u> |

The fair value of fixed income investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|-----------------------------|-----------------------------|--------------------|---------------------|
| Donated services | \$ - | \$11,876,329 | \$ - | \$11,876,329 |
| Pledged contributions - new | <u> </u> | <u> </u> | <u>1,319,405</u> | <u>1,319,405</u> |
| | <u>\$ -</u> | <u>\$11,876,329</u> | <u>\$1,319,405</u> | <u>\$13,195,734</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

15. Net Assets With Donor Restrictions

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

Purpose and time restriction:

| | |
|---|----------------|
| Capital campaign | \$2,113,394 |
| East building capital project – time restricted | <u>532,226</u> |
| | 2,645,620 |

In perpetuity:

| | |
|---|--------------------|
| Donor restricted endowment funds (see Note 16) | <u>8,657</u> |
| Net assets with donor restrictions at December 31, 2022 | <u>\$2,654,277</u> |

For the year ended December 31, 2022, net assets released from donor restrictions were \$464,891 which consisted of \$376,079 released for purpose restrictions and \$88,812 for capital restrictions.

16. Endowment

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA's Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2022 was \$8,657.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2022, there were no such declines in value below the amount of the original endowments.

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 5% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 7%. Actual results during any period may vary from these expectations.

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA’s spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2022 is as follows:

| | <u>With Donor Restrictions</u> |
|----------------------------------|---|
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

Changes in endowment net assets as of December 31, 2022 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | \$8,657 |
| Endowment net assets, end of year | <u>\$8,657</u> |

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

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

17. Government Contracts

Government contracts for the year ended December 31, 2022 consist of the following:

| | |
|--|---------------------|
| LA County Eviction Defense Program | \$ 7,457,449 |
| Legal Services Corporation | 7,206,568 |
| HUD Eviction Defense Program | 6,239,221 |
| Interest on Lawyer Trust Account | 1,579,240 |
| Equal Access Funds | 1,450,081 |
| Self Help Legal Access Centers | 837,790 |
| Shriver Housing Project | 670,458 |
| CalWORKs Domestic Violence Program | 590,619 |
| LA County DHS – CBEST | 586,406 |
| EAF Homelessness Prevention III | 545,602 |
| Domestic Violence Clinic and Community Legal Service | 515,696 |
| Measure H | 485,937 |
| Medical Legal Partnerships | 431,097 |
| Project Impact | 418,567 |
| Assistance to Victims of Torture | 369,626 |
| Services for Trafficking Victims | 282,064 |
| Wells Fargo Housing Grant | 261,226 |
| Renters Small Claims Project | 216,667 |
| Crime Victim Assistance | 206,000 |
| Legal Assistance for Victims | 191,407 |
| The California Endowment | 185,666 |
| LA County DOORS | 184,692 |
| Other | 146,928 |
| PLAHA/LB Program | 121,976 |
| HP III - TEAP | 120,626 |
| Equal Access Partnership | 84,000 |
| CDSS – Immigration Services | 79,000 |
| State Bar Self Help Remote Tech Access | 55,052 |
| Supportive Services for Veterans Families | <u>42,000</u> |
| | <u>\$31,561,661</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

18. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2022 were \$711,797.

19. New Headquarters Development and New Market Tax Credits

Construction of the four-story, 45,770 square foot Ron Olsen Justice Center building, located at 1550 West 8th Street, Los Angeles was completed in Fall 2017 at a cost of \$17.9 million.

To finance the project, LAFLA entered into a NMTC financing arrangement. The NMTC Program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investment. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2023.

As part of the arrangement, LAFLA issued notes receivable totaling \$13,262,600, to an investment fund. The funding for the notes receivable was derived from a short-term bridge loan from a financial institution, a \$6,200,000 loan from a development corporation, and over \$5.72 million in capital campaign funds raised. In addition to the notes issued to the investment fund, a third-party NMTC investor also made an equity investment into the investment fund of roughly \$6.49 million. For their investment, the NMTC investor holds a 100% equity member interest in the investment fund and is also entitled to the NMTC tax credits. The investment fund, through 99% owned community development entities, made qualified low-income community investments in the form of loans collectively totaling roughly \$19.3 million to LALAJC to complete the project. Approximately \$1.7 million was transferred back to LAFLA as a reimbursement to settle the short-term bridge loan used to facilitate the arrangement.

The final component of the arrangement involved LAFLA entering into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreement, the NMTC investor can exercise a put option to sell all interest in the investment fund for \$1,000. If the NMTC investor does not exercise the put option, then the agreement allows LAFLA to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

While under construction, and as part of the financing arrangement, LAFLA transferred title to the property to LALAJC. Following completion, LALAJC began leasing the building to LAFLA under an operating lease allowing LAFLA to utilize the property as their headquarters for serving the needs of the surrounding low-income communities.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

20. Related Party Transactions

LAFLA leases the Ron Olson Justice Center building from LALAJC under an operating lease. Rental payments paid to LALAJC for the year ended December 31, 2022 was \$731,187 (see Note 19). In addition to office space LAFLA leases furniture and equipment under the same operating lease from LALAJC. Rental payments paid to LALAJC for the year ended December 31, 2022 was 18,748.

LALAJC makes contributions to LAFLA to supports its operations. Total contributions from LALAJC to LAFLA for the year ended December 31, 2022 was \$500,000.

21. Subsequent Events

In June 2023, the 7-year tax credit period of the NMTC arrangement will end and trigger an unwinding of the NMTC structure (see Note 19). Upon unwind, LAFLA will execute a put and call option to purchase sole interest in the investment fund that indirectly owns the loans made to LALAJC to complete construction of ROJC, including the corresponding lien on the property. At that point, LAFLA and LALAJC are expected to restructure the operating lease and remaining notes between the two entities.

Management has evaluated subsequent events through April 28, 2023, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2022

Support

| | |
|-----------------------------------|------------|
| Basic grant (\$6,937,384 x 12.5%) | \$ 867,173 |
|-----------------------------------|------------|

| | |
|----------------------|----------------|
| Total support | <u>867,173</u> |
|----------------------|----------------|

Expenses

Personnel salaries:

| | |
|-----------|---------|
| Attorneys | 954,462 |
|-----------|---------|

| | |
|-------------------|---------|
| Employee benefits | 240,312 |
|-------------------|---------|

| | |
|---------------|---------|
| Payroll taxes | 120,720 |
|---------------|---------|

| | |
|--------------------|---------|
| Clerical and other | 111,697 |
|--------------------|---------|

| | |
|------------|--------|
| Paralegals | 62,066 |
|------------|--------|

| | |
|-----------------------|------------------|
| Total personnel costs | <u>1,489,257</u> |
|-----------------------|------------------|

| | |
|------------------------------|------------------|
| Total direct expenses | <u>1,489,257</u> |
|------------------------------|------------------|

| | |
|---------------------|---------|
| Space and occupancy | 153,008 |
|---------------------|---------|

| | |
|---------------------|--------|
| Service to programs | 45,642 |
|---------------------|--------|

| | |
|-----------|--------|
| Telephone | 44,279 |
|-----------|--------|

| | |
|----------------------------------|--------|
| Equipment rental and maintenance | 35,954 |
|----------------------------------|--------|

| | |
|------------------------------|--------|
| Office supplies and expenses | 16,870 |
|------------------------------|--------|

| | |
|-----------|--------|
| Insurance | 14,512 |
|-----------|--------|

| | |
|---------|--------|
| Library | 13,728 |
|---------|--------|

| | |
|------------|--------|
| Litigation | 12,214 |
|------------|--------|

| | |
|--------------------------------|----------------|
| Total indirect expenses | <u>336,207</u> |
|--------------------------------|----------------|

| | |
|-----------------------|------------------|
| Total expenses | <u>1,825,464</u> |
|-----------------------|------------------|

| | |
|--|--------------------------|
| Net PAI expenses over the requirement threshold | <u><u>\$ 958,291</u></u> |
|--|--------------------------|

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS

For the year ended December 31, 2022

| | Basic Field | LSC PBIF VOCAP | Property | Total |
|---|------------------|-------------------|------------------|------------------|
| Revenue and support | | | | |
| Basic grant | \$ 7,199,954 | \$ 6,614 | \$ - | \$ 7,206,568 |
| Attorney fees | 61,045 | | | 61,045 |
| Interest income | 10,233 | | | 10,233 |
| Unrealized (loss) on investment | (37,355) | | | (37,355) |
| Total revenue and support | 7,233,877 | 6,614 | - | 7,240,491 |
| Expenses | | | | |
| Personnel salaries: | | | | |
| Attorneys | 1,881,671 | 2,888 | | 1,884,559 |
| Clerical and other | 1,769,020 | 570 | | 1,769,590 |
| Employee benefits | 923,673 | 892 | | 924,565 |
| Paralegals | 445,271 | 841 | | 446,112 |
| Payroll taxes | 439,924 | 413 | | 440,337 |
| Total personnel costs | 5,459,559 | 5,604 | | 5,465,163 |
| Space and occupancy | 671,175 | 481 | | 671,656 |
| Telephone | 299,137 | 23 | | 299,160 |
| Service to program | 233,044 | 105 | | 233,149 |
| Equipment rental and maintenance | 156,872 | 85 | | 156,957 |
| Office supplies and expenses | 94,010 | 7 | | 94,017 |
| Insurance | 67,747 | | | 67,747 |
| Library | 62,198 | 9 | | 62,207 |
| Training | 53,874 | 45 | | 53,919 |
| Other | 50,126 | | | 50,126 |
| Depreciation | | 2 | 38,102 | 38,104 |
| Audit | 35,002 | 247 | | 35,249 |
| Litigation | 24,451 | | | 24,451 |
| Travel | 14,031 | 6 | | 14,037 |
| Capital expenditures (below capitalization) | 12,651 | | | 12,651 |
| Total expenses | 7,233,877 | 6,614 | 38,102 | 7,278,593 |
| Change in net assets | - | - | (38,102) | (38,102) |
| Net assets, beginning of year | | | 133,070 | 133,070 |
| Less: acquisition of equipment, net | | | | - |
| Net assets, end of year | \$ - | \$ - | \$ 94,968 | \$ 94,968 |
| Deferred at December 31, 2022 | \$ - | \$ - | \$ - | \$ - |

See independent auditors' report.

EXHIBIT 4

EXHIBIT 4

LEGAL AID FOUNDATION OF LOS ANGELES

SINGLE AUDIT REPORTS

DECEMBER 31, 2023

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Legal Aid Foundation of Los Angeles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), 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, and have issued our report thereon dated May 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Foundation of Los Angeles' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Foundation of Los Angeles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California

May 10, 2024

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Aid Foundation of Los Angeles' compliance with the types of compliance requirements identified as subject to audit in the *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* and U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Legal Aid Foundation of Los Angeles' major federal programs for the year ended December 31, 2023. Legal Aid Foundation of Los Angeles' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid Foundation of Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Foundation of Los Angeles and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid Foundation of Los Angeles' federal programs.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid Foundation of Los Angeles' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid Foundation of Los Angeles' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid Foundation of Los Angeles' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Legal Aid Foundation of Los Angeles as of and for the year ended December 31, 2023, and have issued our report thereon dated May 10, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
May 10, 2024

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended December 31, 2023

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|-------------------|-----------------------------------|----------------------|-------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Federal Awards | | | | | | |
| Legal Services Corporation: | | | | | | |
| Direct from, Legal Services Corporation: | | | | | | |
| Legal Services for Low Income - Basic Field Grant | 805080 | 9.80508 | \$ 7,978,571 | \$ - | \$ 7,978,571 | \$ - |
| Pro Bono Innovation Fund - Special Grant | GT-PB22P-00001 | 9.80508 | 155,723 | | 155,723 | |
| Total Legal Services Corporation | | | 8,134,294 | - | 8,134,294 | - |
| U.S. Department of Health and Human Services ("DHHS"), Office of Refugee Resettlement: | | | | | | |
| Pass-through, County of Los Angeles, Department of Public Social Services: | | | | | | |
| Temporary Assistance for Needy Families (TANF) | PH-004251 | 93.558 | 220,533 | | 220,533 | |
| Temporary Assistance for Needy Families (TANF) | PH-004251 | 93.558 | 135,644 | | 135,644 | |
| Total DHHS | | | 356,177 | - | 356,177 | - |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Pass-through, California Governor's Office of Emergency Services: | | | | | | |
| Crime Victim Assistance | XI.21-04-1010 | 16.575 | 206,000 | | 206,000 | |
| Total DOJ | | | 206,000 | - | 206,000 | - |
| U.S. Department of Housing and Urban Development ("HUD"): | | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Home Investment Partnerships Program | C-138260 | 14.239 | 2,112,002 | | 2,112,002 | 2,109,973 |
| Community Development Block Grants (CDBG)/Entitlement Grants | C-138260 | 14.218 | 297,015 | | 297,015 | 295,281 |
| Total HUD | | | 2,409,017 | - | 2,409,017 | 2,405,254 |
| U.S. Department of the Treasury ("DOT"): | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Emergency Rental Assistance Program - American Rescue Plan Act of 2021 | C-138260 | 21.023 | 4,071,218 | | 4,071,218 | 3,054,454 |
| Pass-through, City of Los Angeles, Department of Consumer and Business Affairs: | | | | | | |
| Emergency Rental Assistance Program - American Rescue Plan Act of 2021 | CA23-015 | 21.023 | 927,338 | | 927,338 | 708,351 |
| Pass-through, County of Los Angeles, Dept. of Consumer and Business Affairs: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | CA22-019 | 21.027 | 9,404,298 | | 9,404,298 | 7,742,095 |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | PH-004948 | 21.027 | 221,388 | | 221,388 | |
| | | | 9,625,686 | | 9,625,686 | 7,742,095 |
| Pass-through, County of Los Angeles, DPH Office of Women's Health: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | PH-004948 | 21.027 | 185,501 | | 185,501 | |
| Pass-through, State Bar of California: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 1,158,668 | | 1,158,668 | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 257,490 | | 257,490 | 65,000 |
| | | | 1,416,158 | | 1,416,158 | 65,000 |
| Total DOT | | | 16,225,901 | - | 16,225,901 | 11,569,900 |
| U.S. Department of Veterans Affairs ("VA"): | | | | | | |
| Direct from, VA: | | | | | | |
| Legal Services for Veterans Grants | CA-067-LSV-186-22 | 64.056 | 14,992 | | 14,992 | |
| Pass-through, United States Veterans Initiative: | | | | | | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 50,251 | | 50,251 | |
| Legal Services for Veterans Grants - VA Supportive Services for Veteran Families Program | N/A | 64.056 | 16,750 | | 16,750 | |
| Total VA | | | 81,993 | - | 81,993 | - |
| Total Federal Awards | | | 27,413,382 | - | 27,413,382 | 13,975,154 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended December 31, 2023

continued

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|-------------------|-----------------------------------|----------------------|-------------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Non-federal Awards | | | | | | |
| Neighborhood Legal Services of Los Angeles County: | | | | | | |
| Self Help Legal Access Centers-Long Beach | N/A | N/A | | 290,877 | 290,877 | |
| Self Help Legal Access Centers-Santa Monica | N/A | N/A | | 219,085 | 219,085 | |
| Self Help Legal Access Centers-Torrance | N/A | N/A | | 197,105 | 197,105 | |
| Self Help Legal Access Centers-Inglewood | N/A | N/A | | 228,500 | 228,500 | |
| Shriver Housing Project | 61252-LAFLA | N/A | | 533,803 | 533,803 | |
| Shriver Housing Project | 1035248 | N/A | | 167,186 | 167,186 | |
| Medical Legal Partnership - Long Beach | N/A | N/A | | 147,542 | 147,542 | |
| Medical Legal Partnership - Rancho | N/A | N/A | | 146,938 | 146,938 | |
| Medical Legal Partnership - MLK | N/A | N/A | | 161,644 | 161,644 | |
| | | | | <u>2,092,680</u> | <u>2,092,680</u> | |
| City of Santa Monica: | | | | | | |
| General Community Legal Service Program | N/A | N/A | | 628,157 | 628,157 | 12,657 |
| Santa Monica Supplemental UD Support Grant | 11265 (CCS) | N/A | | 107,471 | 107,471 | |
| Santa Monica RTC | N/A | N/A | | 129,368 | 129,368 | 34,470 |
| | | | | <u>864,996</u> | <u>864,996</u> | <u>47,127</u> |
| State Bar of California: | | | | | | |
| Interest on Lawyers Trust Account | N/A | N/A | | 1,615,400 | 1,615,400 | |
| CAA2JC (via Neighborhood Legal Services) | N/A | N/A | | 39,050 | 39,050 | |
| EDD Unemployment Language Opportunity Program (via SHF) | N/A | N/A | | 191,441 | 191,441 | |
| CA Governor's Office of Business and Economic Development | CalCRG-2022-1596 | N/A | | 168,905 | 168,905 | |
| Equal Access Fund | N/A | N/A | | 1,853,906 | 1,853,906 | |
| The State Bar of California - EAF Homelessness Prevention - EDS | N/A | N/A | | 361,995 | 361,995 | |
| The State Bar of California - Renters Small Claims Project | N/A | N/A | | 319,489 | 319,489 | |
| HCD Mobile Home Sub-Grant | N/A | N/A | | 6,962 | 6,962 | |
| Equal Access Partnership | N/A | N/A | | 100,000 | 100,000 | |
| The State Bar of California - Self Help Remote Tech Access Project | N/A | N/A | | 168,280 | 168,280 | |
| CDSS | SG-ISF-21-0049 | N/A | | 79,000 | 79,000 | |
| The California Endowment | 20232783/20243683 | N/A | | 95,833 | 95,833 | |
| | | | | <u>5,000,261</u> | <u>5,000,261</u> | |
| Inner City Law Center: | | | | | | |
| Measure H | 2017CNGFH182 | N/A | | 113,972 | 113,972 | |
| Measure H | 2017CNGFH182 | N/A | | 243,860 | 243,860 | |
| | | | | <u>357,832</u> | <u>357,832</u> | |
| City of Los Angeles: | | | | | | |
| City of Los Angeles - GCP | C-138260 | N/A | | 6,118,077 | 6,118,077 | 5,013,095 |
| City of Los Angeles - SB2 | C-138260 | N/A | | 950,847 | 950,847 | 950,005 |
| Project Impact | C-137137 | N/A | | 641,093 | 641,093 | 132,428 |
| City of Los Angeles - CD10 | C-138260 | N/A | | 146,068 | 146,068 | 75,496 |
| City of Los Angeles - CD11 | C-138260 | N/A | | 146,684 | 146,684 | |
| | | | | <u>8,002,769</u> | <u>8,002,769</u> | <u>6,171,024</u> |
| County of Los Angeles: | | | | | | |
| Eviction Defense Program | CA22-020 | N/A | | 3,759,174 | 3,759,174 | 2,984,536 |
| DOORS | ODR-02-003 | N/A | | 237,886 | 237,886 | |
| CBEST | H-707740 | N/A | | 460,493 | 460,493 | |
| | | | | <u>4,457,553</u> | <u>4,457,553</u> | <u>2,984,536</u> |
| Total Non-federal Awards | | | | <u>-</u> | <u>20,776,091</u> | <u>9,202,687</u> |
| Total Federal and Non-federal Awards | | | \$ | 27,413,382 | \$ | 20,776,091 |
| | | | \$ | 48,189,473 | \$ | 23,177,841 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Legal Aid Foundation of Los Angeles (“LAFLA”), under the programs of the federal government for the year ended December 31, 2023. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAFLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAFLA.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. LAFLA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

LAFLA provided the following federal awards to sub-recipients during the year ended December 31, 2023:

| <u>Name</u> | <u>FAL #</u> | <u>Amount</u> |
|--|--------------|-------------------|
| Housing Rights Center | 14.218 | <u>\$ 295,281</u> |
| Housing Rights Center | 14.239 | <u>2,109,973</u> |
| Liberty Hill Foundation | 21.023 | 1,088,606 |
| Basta Universal | 21.023 | 657,561 |
| Eviction Defense Network | 21.023 | 630,186 |
| Inner City Law Center | 21.023 | 475,932 |
| Neighborhood Legal Services | 21.023 | 329,747 |
| Bet Tzedek | 21.023 | 253,363 |
| Community Legal Aid SoCal | 21.023 | 117,700 |
| Mental Health Advocacy Services | 21.023 | 102,388 |
| Housing Rights Center | 21.023 | 71,119 |
| Public Counsel | 21.023 | 24,100 |
| Asian Americans Advancing Justice Southern California | 21.023 | <u>12,101</u> |
| | | <u>3,762,803</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2023

3. Pass-through to Sub-recipients, continued

| | | |
|--------------------------------------|--------|---------------------|
| Basta Universal | 21.027 | 1,696,454 |
| Liberty Hill Foundation | 21.027 | 1,679,824 |
| Housing Rights Center | 21.027 | 1,494,839 |
| Inner City Law Center | 21.027 | 822,257 |
| Neighborhood Legal Services | 21.027 | 521,993 |
| Eviction Defense Network | 21.027 | 461,210 |
| Community Legal Aid SoCal | 21.027 | 434,871 |
| Public Counsel | 21.027 | 284,306 |
| Bet Tzedek | 21.027 | 218,461 |
| Mental Health Advocacy Services | 21.027 | 95,270 |
| Asian Americans Advancing Justice | | |
| Southern California | 21.027 | 35,610 |
| Los Angeles Community Action Network | 21.027 | 32,500 |
| Strategic Actions for a Just Economy | 21.027 | <u>32,500</u> |
| | | <u>7,807,095</u> |
| | | <u>\$13,975,154</u> |

4. Other Information

LAFLA did not receive federal insurance, loans, or non-cash assistance during the year ended December 31, 2023, that are required to be reported on the Schedule.

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

Legal Services Corporation:

Legal Services for Low Income 9.80508

U.S. Department of the Treasury:

Coronavirus State and Local Fiscal Recovery Funds 21.027

Emergency Rental Assistance Program 21.023

U.S. Department of Housing and Urban Development:

Home Investment Partnerships Program 14.239

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.

LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Foundation of Los Angeles 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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 and Schedule of Revenue, Support, Expenses, and Changes in Net Assets for Legal Services Corporation ("LSC") Funds, as required by the LSC *Audit Guide for Recipients and Auditors* 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

May 10, 2024

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 5,385,972 | \$ 6,471,226 |
| Clients' trust deposits (Note 2) | 282 | 3,702 |
| Grants receivable | 11,808,548 | 7,190,508 |
| Pledges receivable (Note 4) | 1,795,328 | 1,459,763 |
| Accounts receivable | 74,541 | 90,332 |
| Other receivables | 11,366 | 5,612 |
| Prepaid expenses and deposits | 1,161,997 | 193,130 |
| Investments (Note 5) | 16,731,747 | 16,317,780 |
| Right of use assets - operating leases (Note 11) | 660,585 | 939,023 |
| Right of use assets - finance leases (Note 11) | 576,342 | 139,377 |
| Notes receivable (Note 6) | - | 13,262,600 |
| Property and equipment (Note 7) | 19,779,676 | 4,160,879 |
| | \$ 57,986,384 | \$ 50,233,932 |
| TOTAL ASSETS | | |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 7,928,465 | \$ 5,929,597 |
| Accrued liabilities (Note 8) | 1,810,101 | 1,689,136 |
| Clients' trust deposits payable (Note 2) | 282 | 3,702 |
| Accrued unemployment liability (Note 9) | 195,665 | 196,381 |
| Deferred revenue (Note 10) | 2,850,773 | 3,379,527 |
| Lease liabilities - operating leases (Note 11) | 726,025 | 987,165 |
| Lease liabilities - finance leases (Note 11) | 612,328 | 141,826 |
| Note payable (Note 12) | - | 1,200,000 |
| | 14,123,639 | 13,527,334 |
| TOTAL LIABILITIES | | |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 32,507,295 | 25,422,921 |
| Designated by the Board for operating reserve | 8,629,400 | 8,629,400 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 15) | 2,717,393 | 2,645,620 |
| Perpetual in nature (Note 15) | 8,657 | 8,657 |
| | 43,862,745 | 36,706,598 |
| TOTAL NET ASSETS | | |
| | \$ 57,986,384 | \$ 50,233,932 |
| TOTAL LIABILITIES AND NET ASSETS | | |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | 2023 | 2022 |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 48,189,473 | \$ - | \$ 48,189,473 | \$ 31,381,982 |
| Donated services (Note 2) | 13,676,709 | | 13,676,709 | 11,876,329 |
| Grants and contributions | 5,171,787 | 53,384 | 5,225,171 | 884,532 |
| Cy pres | 1,779,778 | | 1,779,778 | 897,585 |
| Special events (net of expenses of \$231,265) | 501,147 | | 501,147 | 601,612 |
| Contributions - capital campaign | | 489,691 | 489,691 | 1,543,823 |
| Interest income | 408,534 | | 408,534 | 441,204 |
| Attorney fees | 353,605 | | 353,605 | 437,744 |
| Contribution from LALAJC (Note 20) | 300,000 | | 300,000 | 500,000 |
| Miscellaneous income | 207,459 | | 207,459 | 882,601 |
| Net assets released from purpose restrictions (Note 15) | 37,920 | (37,920) | - | - |
| Net assets released from capital restrictions (Note 15) | 433,382 | (433,382) | - | - |
| | 71,059,794 | 71,773 | 71,131,567 | 49,447,412 |
| EXPENSES | | | | |
| Program services | 60,298,293 | | 60,298,293 | 42,102,897 |
| Management and general | 6,071,843 | | 6,071,843 | 6,893,405 |
| Fundraising | 106,350 | | 106,350 | 234,049 |
| | 66,476,486 | - | 66,476,486 | 49,230,351 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | | | | |
| | 4,583,308 | 71,773 | 4,655,081 | 217,061 |
| OTHER CHANGES | | | | |
| Gain (loss) on investments | 407,821 | | 407,821 | (1,128,121) |
| Gain on transfer on real property (Note 19) | 2,093,245 | | 2,093,245 | - |
| | 2,501,066 | - | 2,501,066 | (1,128,121) |
| CHANGE IN NET ASSETS | | | | |
| | 7,084,374 | 71,773 | 7,156,147 | (911,060) |
| NET ASSETS, BEGINNING OF YEAR | | | | |
| | 34,052,321 | 2,654,277 | 36,706,598 | 37,617,658 |
| NET ASSETS, END OF YEAR | | | | |
| | \$ 41,136,695 | \$ 2,726,050 | \$ 43,862,745 | \$ 36,706,598 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---|----------------------|-------------------------|---------------------|---------------------|-------------------------|----------------------|------------------------|------------------------|-------------------|----------------------|----------------------|
| | Right to Counsel | Eviction Defense Center | Supporting Families | Economic Stability | Housing and Communities | Other | | | | 2023 | 2022 |
| Salaries and wages | \$ 122,114 | \$ 4,786,550 | \$ 1,561,091 | \$ 1,507,544 | \$ 1,118,285 | \$ 6,363,894 | \$ 15,459,478 | \$ 2,820,906 | \$ 73,692 | \$ 18,354,076 | \$ 16,343,480 |
| Employee benefits | 15,510 | 897,493 | 352,594 | 338,028 | 228,397 | 1,236,525 | 3,068,547 | 581,687 | 14,699 | 3,664,933 | 2,428,424 |
| Payroll taxes | 6,294 | 369,552 | 146,465 | 140,476 | 95,305 | 514,457 | 1,272,549 | 216,572 | 7,538 | 1,496,659 | 1,985,113 |
| Total personnel costs | 143,918 | 6,053,595 | 2,060,150 | 1,986,048 | 1,441,987 | 8,114,876 | 19,800,574 | 3,619,165 | 95,929 | 23,515,668 | 20,757,017 |
| Services to clients | 23,100,185 | | | | 65,000 | 12,657 | 23,177,842 | | | 23,177,842 | 10,619,693 |
| Donated services (Note 2) | 966,949 | 3,841,673 | 1,447,610 | 1,391,430 | 959,640 | 5,069,407 | 13,676,709 | | | 13,676,709 | 11,876,329 |
| Space and occupancy | 7,139 | 502,718 | 193,454 | 222,121 | 87,704 | 626,823 | 1,639,959 | 340,531 | 3,146 | 1,983,636 | 2,166,906 |
| Contract services | | 23,733 | | | | 864 | 24,597 | 697,112 | 825 | 722,534 | 630,176 |
| Telephone | 2,685 | 120,112 | 43,355 | 36,950 | 24,064 | 159,865 | 387,031 | 261,932 | 869 | 649,832 | 611,648 |
| Equipment rental and maintenance | 2,125 | 97,541 | 35,104 | 28,994 | 19,391 | 127,114 | 310,269 | 207,632 | 3,064 | 520,965 | 499,681 |
| Other expenses | 133,859 | 37,608 | 18,521 | 15,343 | 4,520 | 45,437 | 255,288 | 211,223 | 10 | 466,521 | 291,307 |
| Litigation | 38 | 89,150 | 30,686 | 2,060 | 67,426 | 182,151 | 371,511 | | 7 | 371,518 | 168,489 |
| Insurance | 2,132 | 72,295 | 24,948 | 14,065 | 10,712 | 78,363 | 202,515 | 108,898 | 475 | 311,888 | 200,337 |
| Training | | 59,667 | 9,471 | 8,193 | 6,584 | 16,067 | 99,982 | 155,232 | 1,791 | 257,005 | 263,503 |
| Library | 1,527 | 66,268 | 24,634 | 23,387 | 13,288 | 87,997 | 217,101 | 4,059 | 18 | 221,178 | 189,422 |
| Depreciation | | | | | | | - | 206,884 | | 206,884 | 422,134 |
| Office supplies and expense | 336 | 33,556 | 7,169 | 3,886 | 4,056 | 27,735 | 76,738 | 119,931 | 77 | 196,746 | 233,023 |
| Audit | | | | | | | - | 71,900 | | 71,900 | 67,300 |
| Postage | 99 | 6,134 | 4,289 | 6,643 | 1,040 | 10,377 | 28,582 | 16,659 | | 45,241 | 33,156 |
| Interest expense | | | | | | | - | 41,722 | | 41,722 | 86,480 |
| Travel | 237 | 8,341 | 5,508 | 3,002 | 2,996 | 9,511 | 29,595 | 8,963 | 139 | 38,697 | 24,335 |
| Capital expenditures (below capitalization) | | | | | | | - | | | - | 53,555 |
| Bad debt expense | | | | | | | - | | | - | 35,860 |
| TOTAL 2023 FUNCTIONAL EXPENSES | \$ 24,361,229 | \$ 11,012,391 | \$ 3,904,899 | \$ 3,742,122 | \$ 2,708,408 | \$ 14,569,244 | \$ 60,298,293 | \$ 6,071,843 | \$ 106,350 | \$ 66,476,486 | |
| TOTAL 2022 FUNCTIONAL EXPENSES | \$ 16,766,473 | \$ 5,573,318 | \$ 3,593,665 | \$ 2,880,058 | \$ 2,423,164 | \$ 10,866,219 | \$ 42,102,897 | \$ 6,893,405 | \$ 234,049 | | \$ 49,230,351 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS
For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 7,156,147 | \$ (911,060) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 206,884 | 422,134 |
| Contributions restricted for capital campaign | (489,691) | (1,543,823) |
| Unrealized (gain) loss on investments | (407,821) | 1,128,121 |
| Interest and dividends reinvested | (320,796) | (308,578) |
| (Gain) on transfer of real property received | (2,093,245) | - |
| Reclassification of land held for sale | - | (10,000) |
| Bad debt written off | - | 35,860 |
| Amortization of right of use assets - operating leases | 278,438 | 217,421 |
| Amortization of right of use assets - finance leases | 168,194 | 139,377 |
| Reduction of lease liabilities - operating leases | (261,140) | (169,279) |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (4,618,040) | (698,332) |
| Accounts receivables | 15,791 | (90,332) |
| Land held for sale | - | 10,000 |
| Other receivables | (5,754) | (5,612) |
| Prepaid expenses and deposits | (968,867) | 98,492 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,998,868 | 3,293,522 |
| Accrued liabilities and client trust payable | 120,965 | (15,143) |
| Operating lease liabilities | | |
| Accrued unemployment liability | (716) | (87,588) |
| Deferred revenue | (528,754) | 2,528,678 |
| | | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 250,463 | 4,033,858 |
| CASH FLOWS (TO) INVESTING ACTIVITIES: | | |
| Purchase of NMTC investment fund | (1,000) | - |
| Purchase of investments | - | (13,762) |
| Purchase of property and equipment | (468,836) | (39,694) |
| Proceeds from sale of investment | 314,650 | - |
| | | |
| NET CASH (USED) BY INVESTING ACTIVITIES | (155,186) | (53,456) |
| CASH FLOWS FROM (TO) FINANCING ACTIVITIES: | | |
| Principal payments on note payable | (1,200,000) | (500,000) |
| Collection on capital campaign | 154,126 | 395,065 |
| Repayment of principal of finance leases | (134,657) | (136,928) |
| | | |
| NET CASH (USED) BY FINANCING ACTIVITIES | (1,180,531) | (241,863) |
| NET (DECREASE) INCREASE IN CASH | (1,085,254) | 3,738,539 |
| CASH, BEGINNING OF YEAR | 6,471,226 | 2,732,687 |
| CASH, END OF YEAR | \$ 5,385,972 | \$ 6,471,226 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid during the year for interest: | \$ 42,984 | \$ 87,634 |
| Operating activities reflects interest of finance leases paid of: | \$ 9,888 | \$ 7,617 |
| NON-CASH OPERATING AND FINANCING ACTIVITY: | | |
| Right-of-use asset/liability from addition of new leases | \$ 605,159 | \$ 1,413,963 |
| Notes receivable forgiven upon transfer of real property | \$ 13,262,600 | \$ - |
| Non-cash acquisition of property and equipment - ROJC transfer from LALAJC | \$ 15,458,614 | \$ - |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

Los Angeles Legal Aid Justice Center, Inc. (“LALAJC”), a nonprofit public benefit corporation established in September 2015, was formed for the purpose of supporting the activities of LAFLA. LALAJC was formed for the purpose of constructing, owning, and leasing a headquarters facility to LAFLA in support of LAFLA’s charitable mission. LALAJC is a qualified, active low-income community business (see Note 19).

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 - Undesignated. 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.

Without Donor Restrictions - Designated by the Board. The Board of Directors has designated certain resources for a capital reserve to assure long-term stability in light of uncertainties with funding sources. Accordingly, these amounts are shown as without donor restriction - and are not to be used for general operations without a majority vote of the Board. The designated amount was \$8,629,400 at December 31, 2023.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 those 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.

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as (loss) gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds that are not used for operations are treated as investments.

LAFLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that change in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair Value 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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

Concentrations and Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 2023, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 68% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2023, revenue from one government funding source was approximately 11% of total revenue.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

Leases

LAFLA applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. LAFLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. LAFLA further determined that all the existing leases are operating leases, which are included in right of use assets and lease liabilities in the Statement of Financial Position.

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

Per the LSC Program Letter 23-2, and in conjunction with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, LSC Basic Field Grant awards do not involve an exchange with recipients of commensurate value and the benefit to LSC is considered indirect because the grant serves the general public. As such, LSC considers its Basic Field Grant awards as non-exchange transactions/contributions. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts, if any, are reflected in the financial statements as refundable advances liability.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received, and the related case is ultimately resolved.

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$13,676,709 for the year ended December 31, 2023. Contributed services are valued and reported in the financial statements at their estimated fair value based on average prevailing billing rates, by position, of the participating legal firms or attorneys in the region. There were no donor-imposed restrictions on the donated services and were used entirely for programs services and shown on Statement of Functional Expenses.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

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.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassifications

Certain amounts from the December 31, 2022 financial statements have been reclassified for comparative purposes to conform to the December 31, 2023 presentation.

3. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 receives a financial and investment report every month, and meets roughly every other month to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash | \$ 5,385,972 |
| Investments | 16,731,747 |
| Grants receivable | 11,808,548 |
| Pledges receivable (due within one year) | <u>1,062,225</u> |
| | 34,988,492 |
| Less: net assets with purpose and time restrictions | (2,717,393) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| Total financial assets available within one year for general expenditures | <u>\$32,262,442</u> |

LAFLA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$40.6 million in earned revenue to cover operating expenditures within the next year.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2023, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2023. Additionally, a discount on pledges receivable, for pledges due in more than one year, is deemed immaterial, and accordingly, is not recorded as of December 31, 2023.

Pledges receivable at December 31, 2023 are expected to be collected as follows:

| | |
|-------------------|--------------------|
| Within one year | \$1,062,225 |
| One to five years | <u>733,103</u> |
| | <u>\$1,795,328</u> |

5. Investments

Investments at December 31, 2023 consist of the following:

| | |
|---------------------------|---------------------|
| Fixed income | \$13,806,639 |
| Certificates of deposit | 95,008 |
| Cash and cash equivalents | <u>2,830,100</u> |
| | <u>\$16,731,747</u> |

6. Notes Receivable

LAFLA has two interest bearing notes receivable due from Chase NMTC LAFLA Investment Fund, LLC, an unrelated entity formed as part of the New Market Tax Credit ("NMTC") arrangement, at the end of the seven-year tax credit period in 2023, two notes receivable and related unamortized issuance cost have been forgiven (see Note 19), no outstanding balance as of December 31, 2023.

7. Property and Equipment

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

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$ 206,002 | \$ 309,987 | \$ 515,989 |
| Building improvements | | 2,568,826 | 2,568,826 |
| Land | | 5,331,759 | 5,331,759 |
| Building | | 12,928,897 | 12,928,897 |
| Law library | | 315,500 | 315,500 |
| Construction in progress | | 531,083 | 531,083 |
| Vehicles | | 22,000 | 22,000 |
| Leasehold improvement | | <u>8,175</u> | <u>8,175</u> |
| | <u>206,002</u> | <u>22,016,227</u> | <u>22,222,229</u> |
| Less: accumulated depreciation | <u>(147,366)</u> | <u>(2,295,187)</u> | <u>(2,442,553)</u> |
| | <u>\$ 58,636</u> | <u>\$19,721,040</u> | <u>\$19,779,676</u> |

Depreciation expense for the year ended December 31, 2023 was \$206,884.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

8. Accrued Liabilities

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

| | |
|---------------------------|--------------------|
| Accrued vacation | \$1,034,570 |
| Accrued payroll | 764,288 |
| Other accrued liabilities | <u>11,243</u> |
| | <u>\$1,810,101</u> |

9. Accrued Unemployment Liability

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2023 of \$195,665, represents estimated future claims arising from payroll paid to December 31, 2023. Unemployment expense for the year ended December 31, 2023 was \$29,901.

10. Deferred Revenue

Deferred revenue at December 31, 2023 consists of the following:

| | |
|--------------------------------|--------------------|
| City of Los Angeles | \$1,000,000 |
| Equal access fund (EAF) grants | 690,373 |
| Ballmer grant | 451,683 |
| Mayor's Fund | 183,595 |
| HP III – TEAP | 161,884 |
| Munzer FDN LB | 115,155 |
| Others | 96,360 |
| State Bar SHRTA | 76,668 |
| WF Housing Grant | 40,924 |
| CA endowment | <u>34,131</u> |
| | <u>\$2,850,773</u> |

11. Right-of-Use Assets and Liabilities - Operating Leases and Finance Leases

LAFLA evaluated current contracts to determine which met the criteria of a lease. Right-of-Use (“ROU”) assets represent LAFLA’s right to use underlying assets for the lease term, and the lease liabilities represent LAFLA’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases and finance lease, were calculated based on the present value of future lease payments over the lease terms. LAFLA used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, LAFLA uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

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

LAFLA's operating leases consist of two office leases, while the finance leases consists of two office equipment leases. The ROU assets and leases liabilities for these leases were determined based on the current terms in force as of December 31, 2023. No additional options have been included.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2023 were 26.0 months and 2.41%, respectively.

The weighted average of remaining lease terms and weighted average of discount rate for financing leases as of December 31, 2023 were 60.0 months and 4.72%, respectively.

Cash paid for the operating leases and finance leases for the year ended December 31, 2023 was \$420,089 and \$144,545, respectively. There were no non-cash financing transactions related to leasing during the year ended December 31, 2023.

Future maturities under operating leases and finance leases are as follows:

| <u>Year ending December 31,</u> | <u>Operating Leases</u> | <u>Finance Lease</u> |
|---------------------------------|------------------------------------|---------------------------------|
| 2024 | \$404,001 | \$137,724 |
| 2025 | 226,735 | 137,724 |
| 2026 | 135,296 | 137,724 |
| 2027 | - | 137,724 |
| 2028 | - | <u>137,724</u> |
| | 766,032 | 688,620 |
| Less: present value discount | <u>(40,007)</u> | <u>(76,292)</u> |
| | <u>\$726,025</u> | <u>\$612,328</u> |

The above maturities reflect lease agreements in effect as of December 31, 2023. LAFLA continually renegotiates its lease agreements; therefore, future maturity amounts may change.

The ROU assets related to operating leases at December 31, 2023 are as follows:

| | |
|--------------------|-------------------|
| Office space | \$ 939,023 |
| Less: amortization | <u>(278,438)</u> |
| | <u>\$ 660,585</u> |

The ROU assets related to finance leases at December 31, 2023 are as follows:

| | |
|--------------------|-------------------|
| Office equipment | \$ 139,377 |
| Add: new equipment | 605,159 |
| Less: amortization | <u>(168,194)</u> |
| | <u>\$ 576,342</u> |

Lease expense under operating leases and finance leases for the years ended December 31, 2023 were \$403,363 and \$178,082, respectively.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Note Payable

Note payable, related to the NMTC arrangement (see Note 19) was paid in full in 2023, no outstanding balance at December 31, 2023.

13. Commitments and Contingencies

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2023.

14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2023 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|---------------------|----------------|----------------|---------------------|
| Fixed income | <u>\$13,806,639</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$13,806,639</u> |

The fair value of fixed income investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

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

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|----------------|---------------------|------------------|---------------------|
| Donated services | <u>\$ -</u> | <u>\$13,676,709</u> | <u>\$ -</u> | <u>\$13,676,709</u> |
| Pledged contributions - new | <u>-</u> | <u>-</u> | <u>520,450</u> | <u>520,450</u> |
| | <u>\$ -</u> | <u>\$13,676,709</u> | <u>\$520,450</u> | <u>\$14,197,159</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

15. Net Assets With Donor Restrictions

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

| | |
|---|--------------------|
| <u>Purpose and time restriction:</u> | |
| Capital campaign | \$2,185,167 |
| Donation for parking – purpose restricted | <u>532,226</u> |
| | 2,717,393 |
| <u>In perpetuity:</u> | |
| Donor restricted endowment funds (see Note 16) | <u>8,657</u> |
| Net assets with donor restrictions at December 31, 2023 | <u>\$2,726,050</u> |

For the year ended December 31, 2023, net assets released from donor restrictions were \$471,302 which consisted of \$37,920 released for purpose restrictions and \$433,382 for capital restrictions.

16. Endowment

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA’s Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2023 was \$8,657.

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2023, there were no such declines in value below the amount of the original endowments.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

16. Endowment, continued

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 5% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 7%. Actual results during any period may vary from these expectations

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA's spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2023 is as follows:

| | <u>With Donor Restrictions</u> |
|----------------------------------|---|
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

Changes in endowment net assets as of December 31, 2023 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | <u>\$8,657</u> |
| Endowment net assets, end of year | <u>\$8,657</u> |

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

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

17. Government Contracts

Government contracts for the year ended December 31, 2023 consist of the following:

| | |
|--|---------------------|
| LA County Eviction Defense Program | \$13,775,566 |
| HUD Eviction Defense Program | 11,583,225 |
| Legal Services Corporation | 8,134,294 |
| Equal Access Funds | 2,215,901 |
| The American Rescue Plan Act – Los Angeles County | 2,112,002 |
| Interest on Lawyer Trust Account | 1,615,400 |
| EAF Homelessness Prevention III | 1,158,668 |
| Self Help Legal Access Centers | 935,567 |
| Shriver Housing Project | 700,989 |
| Project Impact | 641,093 |
| Domestic Violence Clinic and Community Legal Service | 585,035 |
| LA County DHS – CBEST | 460,493 |
| Medical Legal Partnerships | 456,124 |
| PLAHA/LB Program | 444,612 |
| Measure H | 357,832 |
| CalWORKs Domestic Violence Program | 356,177 |
| Renters Small Claims Project | 319,489 |
| HP III - TEAP | 257,490 |
| LA County DOORS | 237,886 |
| Small Business Grant | 221,388 |
| Crime Victim Assistance | 206,000 |
| EDD Unemployment Language Opportunity Program | 191,441 |
| SM ARP DV Shelter & Support | 185,501 |
| CalCRG program | 168,905 |
| State Bar Self Help Remote Tech Access | 168,280 |
| City of LA - CD 11 | 146,684 |
| SM Supplemental UD Support Grant | 107,471 |
| Equal Access Partnership | 100,000 |
| The California Endowment | 95,833 |
| Others | 89,134 |
| CDSS – Immigration Services | 79,000 |
| Supportive Services for Veterans Families | 81,993 |
| | <u>\$48,189,473</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

18. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2023 were \$800,155.

19. Transfer of Ron Olson Justice Center and New Market Tax Credits

Construction of the Ron Olson Justice Center ("ROJC") building, located at 1550 West 8th Street, Los Angeles was completed in Fall 2017. To finance the project, LAFLA entered into an NMTC financing arrangement in 2016. The NMTC Program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investment. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which ended in 2023.

Under the NMTC arrangement, LAFLA issued notes receivable totaling \$13,262,600, to an investment fund. The funding for the notes receivable was derived from a short-term bridge loan from a financial institution, a \$6,200,000 loan from a development corporation, and over \$5.72 million in capital campaign funds raised. In addition to the notes issued to the investment fund, a third-party NMTC investor also made an equity investment into the investment fund of roughly \$6.49 million. For their investment, the NMTC investor holds a 100% equity member interest in the investment fund and is also entitled to the NMTC tax credits. The investment fund, through 99% owned community development entities, made qualified low-income community investments in the form of loans collectively totaling roughly \$19.3 million to LALAJC to complete the project.

While under construction, and as part of the financing arrangement, LAFLA transferred title to the property to LALAJC. Following completion, LALAJC began leasing the building to LAFLA under an operating lease allowing LAFLA to utilize the property as their headquarters for serving the needs of the surrounding low-income communities.

Consistent with all NMTC arrangements, a put and call agreement was executed between LAFLA and the third-party NMTC investor. Under the agreement, the NMTC investor can exercise a put option to sell all interest in the investment fund for \$1,000 to LAFLA once the seven-year tax credit period ends. If the NMTC investor does not exercise the put option, then the agreement allows LAFLA to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

In June 2023, LAFLA purchased 100% interest in the investment fund from the third-party NMTC investor for \$1,000 triggering the disassembling of the NMTC structure and leaving LAFLA and LALAJC as the remaining entities. All debt on LALAJC's books were in effect owed to LAFLA.

In November 2023, the transfer of ownership of ROJC from LALAJC to LAFLA was formally recorded by the County of Los Angeles. In correspondence with the transfer of ROJC to LAFLA, all ROJC construction-related debt owed by LALAJC to LAFLA, at a net amount of \$13,262,600, was forgiven by LAFLA.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

19. Transfer of Ron Olson Justice Center and New Market Tax Credits, continued

Upon the transfer of ownership, the ROJC building and land were recorded at their fair market value on the Statement of Financial Position. The amount of \$2,093,245, reflected on the Statement of Activities, represents the gain from this transfer.

Transfer of assets from LALAJC to LAFLA:

| | |
|---|---------------------|
| Land | \$ 3,800,347 |
| Building and building improvement | <u>11,658,267</u> |
| | <u>15,458,614</u> |
| * Real property recorded at fair market value | |
| Forgiven of notes receivable | |
| Upon the disassembling of the NMTC structure | 13,262,600 |
| LAFLA's purchase of investment | 1,000 |
| Cleared unamortized loan cost | 101,769 |
| Gain on transfer of assets | <u>2,093,245</u> |
| | <u>\$15,458,614</u> |

20. Related Party Transactions

LAFLA leased the Ron Olson Justice Center building from LALAJC under an operating lease. Rental payments paid to LALAJC for the year ended December 31, 2023 was \$374,967 (see Note 19). In addition to office space LAFLA leases furniture and equipment under the same operating lease from LALAJC. Rental payments paid to LALAJC for the year ended December 31, 2023 was 9,374.

LALAJC makes contributions to LAFLA to supports its operations. Total contributions from LALAJC to LAFLA for the year ended December 31, 2023 was \$300,000.

During the year ended December 31, 2023, LALAJC transferred ownership of the Ron Olson Justice Center building to LAFLA in exchange for LAFLA forgiving all debt owed from LALAJC to LAFLA related to the construction of ROJC.

21. Subsequent Events

Management has evaluated subsequent events through May 10, 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.

SUPPLEMENTARY INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2023

Support

Basic grant (\$7,978,571 x 12.5%) \$ 997,321

Total support 997,321

Expenses

Personnel salaries:

Attorneys 789,133

Employee benefits 174,764

Clerical and other 104,424

Payroll taxes 99,191

Paralegals 51,116

Total personnel costs 1,218,628

Total direct expenses 1,218,628

Space and occupancy 100,822

Service to programs 37,463

Telephone 33,687

Equipment rental and maintenance 26,890

Litigation 19,285

Insurance 16,165

Library 11,353

Office supplies and expenses 10,209

Total indirect expenses 255,874

Total expenses 1,474,502

Net PAI expenses over the requirement threshold \$ 477,181

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS
For the year ended December 31, 2023

| | Basic Field | LSC PBIF | Property | Total |
|--|------------------|----------------|------------------|------------------|
| Revenue and support | | | | |
| Basic grant | \$ 7,978,571 | \$ 155,723 | \$ - | \$ 8,134,294 |
| Attorney fees | 42,643 | | | 42,643 |
| Interest income | 14,599 | | | 14,599 |
| Unrealized gain on investment | 16,609 | | | 16,609 |
| Total revenue and support | 8,052,422 | 155,723 | - | 8,208,145 |
| Expenses | | | | |
| Personnel salaries: | | | | |
| Attorneys | 2,257,661 | 67,553 | | 2,325,214 |
| Clerical and other | 2,211,617 | | | 2,211,617 |
| Employee benefits | 1,071,709 | 21,712 | | 1,093,421 |
| Paralegals | 487,590 | 38,231 | | 525,821 |
| Payroll taxes | 433,354 | 9,393 | | 442,747 |
| Total personnel costs | 6,461,931 | 136,889 | | 6,598,820 |
| Space and occupancy | 544,249 | 5,308 | | 549,557 |
| Telephone | 312,036 | 1,547 | | 313,583 |
| Equipment rental and maintenance | 165,514 | 1,872 | | 167,386 |
| Service to program | 131,091 | 553 | | 131,644 |
| Insurance | 103,750 | 1,057 | | 104,807 |
| Office supplies and expenses | 80,546 | 995 | | 81,541 |
| Library | 61,439 | 1,206 | | 62,645 |
| Training | 56,756 | 4,362 | | 61,118 |
| Litigation | 50,887 | | | 50,887 |
| Other | 41,835 | 498 | | 42,333 |
| Depreciation | | | 36,332 | 36,332 |
| Audit | 27,837 | 712 | | 28,549 |
| Travel | 14,551 | 724 | | 15,275 |
| Total expenses | 8,052,422 | 155,723 | 36,332 | 8,244,477 |
| Change in net assets | | | (36,332) | (36,332) |
| Net assets, beginning of year | | | 94,968 | 94,968 |
| Less: acquisition of equipment, net | | | | - |
| Net assets, end of year | \$ - | \$ - | \$ 58,636 | \$ 58,636 |
| Refundable advances, end of year | \$ - | \$ - | \$ - | \$ - |

See independent auditors' report.

EXHIBIT 5

EXHIBIT 5



LEGAL AID FOUNDATION OF LOS ANGELES

SINGLE AUDIT REPORTS

DECEMBER 31, 2024

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Legal Aid Foundation of Los Angeles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2024 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Foundation of Los Angeles' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Foundation of Los Angeles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***
continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
April 23, 2025



**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Aid Foundation of Los Angeles' compliance with the types of compliance requirements identified as subject to audit in the *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* and U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Legal Aid Foundation of Los Angeles' major federal programs for the year ended December 31, 2024. Legal Aid Foundation of Los Angeles' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid Foundation of Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Foundation of Los Angeles and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid Foundation of Los Angeles' federal programs.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid Foundation of Los Angeles' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid Foundation of Los Angeles' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid Foundation of Los Angeles' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Legal Aid Foundation of Los Angeles as of and for the year ended December 31, 2024, and have issued our report thereon dated April 23, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
April 23, 2025

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended December 31, 2024

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|---|-------------------|-----------------------------------|----------------------|-------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Federal Awards | | | | | | |
| Legal Services Corporation: | | | | | | |
| Direct from, Legal Services Corporation: | | | | | | |
| Legal Services for Low Income - Basic Field Grant | 805080 | 9.80508 | \$ 7,978,571 | \$ - | \$ 7,978,571 | \$ - |
| Pro Bono Innovation Fund - Special Grant | GT-PB22P-00001 | 9.80508 | 145,038 | | 145,038 | |
| Plegal Service Artificial Intelligence Tools | AD-1G23G-00009 | 9.80508 | 156,330 | | 156,330 | |
| Total Legal Services Corporation | | | 8,279,939 | - | 8,279,939 | - |
| U.S. Department of Health and Human Services ("DHHS"), Office of Refugee Resettlement: | | | | | | |
| Pass-through, County of Los Angeles, Department of Public Social Services: | | | | | | |
| Temporary Assistance for Needy Families (TANF) | PH-004251 | 93.558 | 642,254 | | 642,254 | |
| Total DHHS | | | 642,254 | - | 642,254 | - |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Direct from DOJ, Office of Justice Programs, Office for Victims of Crime: | | | | | | |
| Services for Trafficking Victims | 2023-OVC-CVAP-016 | 16.320 | 293,342 | | 293,342 | |
| Pass-through, Office of Justice Programs, Office for Victims of Crime, Equal Justice Works: | | | | | | |
| Crime Victim Assistance/Discretionary Grants | 2023-OVC-CVAP-016 | 16.582 | 73,070 | | 73,070 | |
| Pass-through, City of Los Angeles, Mayor's Office of Public Safety: | | | | | | |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | C-145369 | 16.590 | 34,722 | | 34,722 | |
| Total DOJ | | | 401,134 | - | 401,134 | - |
| U.S. Department of Housing and Urban Development ("HUD"): | | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Community Development Block Grants (CDBG)/Entitlement Grants | C-138260 | 14.218 | 551 | | 551 | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Home Investment Partnerships Program | C-138260 | 14.239 | 833,673 | | 833,673 | 833,216 |
| Pass-through, City of Santa Monica: | | | | | | |
| Home Investment Partnerships Program | 11265 | 14.239 | 319,560 | | 319,560 | |
| Total HUD | | | 1,153,784 | - | 1,153,784 | 833,216 |
| U.S. Department of the Treasury ("TREASURY"): | | | | | | |
| Pass-through, County of Los Angeles, DPH Office of Women's Health: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - County of Los Angeles - SM ARP DV Shelter & Support | PH-004948 | 21.027 | 86,257 | | 86,257 | |
| Pass-through, City of Los Angeles, Department of Consumer and Business Affairs: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | CA22-019 | 21.027 | 14,833,061 | | 14,833,061 | 11,365,836 |
| Pass-through, State Bar of California: | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 774,420 | | 774,420 | |
| Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021 | N/A | 21.027 | 399,384 | | 399,384 | 65,000 |
| | | | 1,173,804 | - | 1,173,804 | 65,000 |
| Total TREASURY | | | 16,093,122 | - | 16,093,122 | 11,430,836 |
| U.S. Department of Veterans Affairs ("VA"): | | | | | | |
| Direct from, VA: | | | | | | |
| Legal Services for Veterans Grants | CA-067-LSV-186-22 | 64.056 | 238,894 | | 238,894 | |
| Pass-through, United States Veterans Initiative: | | | | | | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 67,000 | | 67,000 | |
| Total VA | | | 305,894 | - | 305,894 | - |
| Total Federal Awards | | | 26,876,127 | - | 26,876,127 | 12,264,052 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended December 31, 2024
continued

| Federal Grantor Agency/Pass-Through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|--|------------------|-----------------------------------|----------------------|----------------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Non-federal Awards | | | | | | |
| Neighborhood Legal Services of Los Angeles County: | | | | | | |
| Self Help Legal Access Centers-Long Beach | N/A | N/A | | 290,977 | 290,977 | |
| Self Help Legal Access Centers-Santa Monica | N/A | N/A | | 191,010 | 191,010 | |
| Self Help Legal Access Centers-Torrance | N/A | N/A | | 176,675 | 176,675 | |
| Self Help Legal Access Centers-Inglewood | N/A | N/A | | 200,110 | 200,110 | |
| Shriver Housing Project | N/A | N/A | | 859,995 | 859,995 | |
| HCD Mobile Home Sub-Grant | N/A | N/A | | 2,308 | 2,308 | |
| Medical Legal Partnership - Long Beach | N/A | N/A | | 171,949 | 171,949 | |
| Medical Legal Partnership - Rancho | N/A | N/A | | 190,873 | 190,873 | |
| | | | | <u>2,231,367</u> | <u>2,231,367</u> | <u>-</u> |
| City of Santa Monica: | | | | | | |
| General Community Legal Service Program | N/A | N/A | | 720,267 | 720,267 | |
| | | | | <u>730,962</u> | <u>730,962</u> | <u>-</u> |
| State Bar of California: | | | | | | |
| Interest on Lawyers Trust Account | N/A | N/A | | 1,830,069 | 1,830,069 | |
| CAA2JC (via Neighborhood Legal Services) | 24SLE011 | N/A | | 84,305 | 84,305 | |
| CA Governor's Office of Business and Economic Development | CalCRG-2022-1596 | N/A | | 209,591 | 209,591 | |
| CA Access to Justice Commission - Language Justice Project | N/A | N/A | | 143,052 | 143,052 | |
| The State Bar of California - Equal Access Fund | N/A | N/A | | 2,219,735 | 2,219,735 | |
| The State Bar of California - OneJustice HP4 | N/A | N/A | | 3,583 | 3,583 | |
| The State Bar of California - Equal Access Partnership | N/A | N/A | | 100,000 | 100,000 | |
| Immigration Legal Services Support Project | N/A | N/A | | 92,131 | 92,131 | |
| CDS\$ | N/A | N/A | | 75,000 | 75,000 | |
| The State Bar of California - Self Help Remote Tech Access Project | N/A | N/A | | 100,000 | 100,000 | |
| The California Endowment | 20243683 | N/A | | 75,000 | 75,000 | |
| | | | | <u>4,932,466</u> | <u>4,932,466</u> | <u>-</u> |
| Inner City Law Center: | | | | | | |
| Measure H | 2017CNGFHI82 | N/A | | 360,919 | 360,919 | |
| City of Los Angeles: | | | | | | |
| City of Los Angeles-GCP/ULA/SB2/CD10/CD11 | C-138260 | N/A | | 16,000,295 | 16,000,295 | 13,068,070 |
| Project Impact | C-144194 | N/A | | 527,049 | 527,049 | |
| Breaking Barriers | N/A | N/A | | 25,110 | 25,110 | |
| ULA Income Supports from United Way | N/A | N/A | | 12,777 | 12,777 | |
| | | | | <u>16,565,231</u> | <u>16,565,231</u> | <u>13,068,070</u> |
| County of Los Angeles: | | | | | | |
| Eviction Defense Program | CA22-020 | N/A | | 938,601 | 938,601 | 682,585 |
| Eviction Defense Program | CA25-005 | N/A | | 78,832 | 78,832 | 17,829 |
| DOORS | J-709728 | N/A | | 245,462 | 245,462 | |
| CBEST | H-709630 | N/A | | 351,972 | 351,972 | |
| | | | | <u>1,614,867</u> | <u>1,614,867</u> | <u>700,414</u> |
| Total Non-federal Awards | | | | <u>-</u> | <u>26,435,812</u> | <u>13,768,484</u> |
| Total Federal and Non-federal Awards | | | | <u>\$ 26,876,127</u> | <u>\$ 26,435,812</u> | <u>\$ 53,311,939</u> |
| | | | | | | <u>\$ 26,032,536</u> |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Legal Aid Foundation of Los Angeles (“LAFLA”), under the programs of the federal government for the year ended December 31, 2024. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAFLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAFLA.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. LAFLA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

LAFLA provided the following federal awards to sub-recipients during the year ended December 31, 2024:

| <u>Name</u> | <u>FAL #</u> | <u>Amount</u> |
|--------------------------------------|--------------|---------------------|
| Housing Rights Center | 14.239 | <u>\$ 833,216</u> |
| Housing Rights Center | 21.027 | 2,069,331 |
| Basta Universal | 21.027 | 1,654,313 |
| Liberty Hill Foundation | 21.027 | 1,620,141 |
| Inner City Law Center | 21.027 | 1,596,337 |
| Neighborhood Legal Services | 21.027 | 1,437,110 |
| Community Legal Aid SoCal | 21.027 | 1,167,349 |
| Eviction Defense Network | 21.027 | 1,028,985 |
| Public Counsel | 21.027 | 359,187 |
| Bet Tzedek | 21.027 | 279,486 |
| Mental Health Advocacy Services | 21.027 | 99,959 |
| Asian Americans Advancing Justice | | |
| Southern California | 21.027 | 53,638 |
| Los Angeles Community Action Network | 21.027 | 32,500 |
| Strategic Actions for a Just Economy | 21.027 | <u>32,500</u> |
| | | <u>\$12,264,052</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

4. Other Information

LAFILA did not receive federal insurance, loans, or non-cash assistance during the year ended December 31, 2024, that are required to be reported on the Schedule.

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2024

Section I – Summary of Auditors’ Results

Financial Statements:

| | |
|---|---------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? | No |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Identification of Major Programs:

| | |
|---|---------|
| Legal Services Corporation: | |
| Legal Services for Low Income | 9.80508 |
| U.S. Department of the Treasury: | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 |

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.



LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2024

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.900.9883
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2033 N. Main Street, #350
Walnut Creek, CA 94596
p: 925.469.8966

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Foundation of Los Angeles 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Private Attorney Involvement (PAI) Compliance and Schedule of Revenue, Support, Expenses, and Changes in Net Assets for Legal Services Corporation ("LSC") Funds, as required by the LSC *Audit Guide for Recipients and Auditors* 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2025, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 23, 2025

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2024

With comparative totals at December 31, 2023

| | 2024 | 2023 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 4,188,489 | \$ 5,385,972 |
| Clients' trust deposits (Note 2) | 84,772 | 282 |
| Grants receivable | 13,771,798 | 11,808,548 |
| Pledges receivable (Note 4) | 1,023,858 | 1,795,328 |
| Accounts receivable | 75,975 | 74,541 |
| Other receivables | 12,877 | 11,366 |
| Prepaid expenses and deposits | 1,185,344 | 1,161,997 |
| Investments (Note 5) | 17,554,334 | 16,731,747 |
| Right-of-use assets - operating leases (Note 10) | 1,120,687 | 660,585 |
| Right-of-use assets - finance leases (Note 10) | 463,672 | 576,342 |
| Property and equipment (Note 6) | 22,236,527 | 19,779,676 |
| | \$ 61,718,333 | \$ 57,986,384 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 9,155,072 | \$ 7,928,465 |
| Accrued liabilities (Note 7) | 2,682,127 | 1,810,101 |
| Clients' trust deposits payable (Note 2) | 84,772 | 282 |
| Accrued unemployment liability (Note 8) | 186,151 | 195,665 |
| Deferred revenue (Note 9) | 4,024,799 | 2,850,773 |
| Lease liabilities - operating leases (Note 10) | 1,128,116 | 726,025 |
| Lease liabilities - finance leases (Note 10) | 504,009 | 612,328 |
| | 17,765,046 | 14,123,639 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 33,970,748 | 32,507,295 |
| Designated by the Board for operating reserve | 8,629,400 | 8,629,400 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 13) | 1,344,482 | 2,717,393 |
| Perpetual in nature (Note 14) | 8,657 | 8,657 |
| | 43,953,287 | 43,862,745 |
| | \$ 61,718,333 | \$ 57,986,384 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | 2024 | 2023 |
|---|-------------------------------|----------------------------|---------------|---------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 54,104,329 | \$ - | \$ 54,104,329 | \$ 48,189,473 |
| Donated services (Note 2) | 13,043,941 | | 13,043,941 | 13,676,709 |
| Grants and contributions | 1,794,799 | | 1,794,799 | 5,225,171 |
| Cy pres | 638,449 | | 638,449 | 1,779,778 |
| Special events (net of expenses of \$247,540) | 576,798 | | 576,798 | 501,147 |
| Interest income | 470,642 | | 470,642 | 408,534 |
| Miscellaneous income | 462,901 | | 462,901 | 207,459 |
| Contribution from LALAJC (Note 16) | 430,075 | | 430,075 | 300,000 |
| Contributions - capital campaign | | 125,000 | 125,000 | 489,691 |
| Attorney fees | 11,106 | | 11,106 | 353,605 |
| Net assets released from purpose restrictions (Note 13) | 188,652 | (188,652) | - | - |
| Net assets released from capital restrictions (Note 13) | 1,309,259 | (1,309,259) | - | - |
| | 73,030,951 | (1,372,911) | 71,658,040 | 71,131,567 |
| TOTAL REVENUE AND SUPPORT | | | | |
| EXPENSES | | | | |
| Program services | 65,312,013 | | 65,312,013 | 60,298,293 |
| Management and general | 6,480,295 | | 6,480,295 | 6,071,843 |
| Fundraising | 106,369 | | 106,369 | 106,350 |
| | 71,898,677 | - | 71,898,677 | 66,476,486 |
| TOTAL EXPENSES | | | | |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | 1,132,274 | (1,372,911) | (240,637) | 4,655,081 |
| OTHER CHANGES | | | | |
| Gain on investments | 331,179 | | 331,179 | 407,821 |
| Gain on transfer of real property | - | | - | 2,093,245 |
| | 331,179 | - | 331,179 | 2,501,066 |
| TOTAL OTHER CHANGES | | | | |
| CHANGE IN NET ASSETS | 1,463,453 | (1,372,911) | 90,542 | 7,156,147 |
| NET ASSETS, BEGINNING OF YEAR | 41,136,695 | 2,726,050 | 43,862,745 | 36,706,598 |
| NET ASSETS, END OF YEAR | \$ 42,600,148 | \$ 1,353,139 | \$ 43,953,287 | \$ 43,862,745 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---|-------------------------------|------------------------------------|-----------------------|----------------------------|----------------------|----------------------|------------------------------|------------------------------|-------------------|----------------------|---------------|
| | Eviction Defense Center | Immigration Access Workgroup | Economic Stability | Housing and Communities | Self Help Centers | Other | | | | 2024 | 2023 |
| | Salaries and wages | \$ 4,202,230 | \$ 1,920,061 | \$ 1,649,031 | \$ 1,147,076 | \$ 1,205,438 | | | | \$ 7,128,301 | \$ 17,252,137 |
| Employee benefits | 792,198 | 372,654 | 329,110 | 262,814 | 237,072 | 1,435,812 | 3,429,660 | 533,973 | 14,643 | 3,978,276 | 3,664,933 |
| Payroll taxes | 314,794 | 149,498 | 136,695 | 105,789 | 94,726 | 567,929 | 1,369,431 | 193,785 | 5,914 | 1,569,130 | 1,496,659 |
| Total personnel costs | 5,309,222 | 2,442,213 | 2,114,836 | 1,515,679 | 1,537,236 | 9,132,042 | 22,051,228 | 3,991,644 | 82,961 | 26,125,833 | 23,515,668 |
| Services to clients | 26,185,884 | | | 81,250 | | 294,668 | 26,561,802 | | | 26,561,802 | 23,177,842 |
| Donated services (Note 2) | 8,138,087 | 680,480 | 585,736 | 448,857 | 409,431 | 2,781,350 | 13,043,941 | | | 13,043,941 | 13,676,709 |
| Space and occupancy | 256,770 | 105,570 | 120,908 | 96,734 | 12,854 | 589,326 | 1,182,162 | 225,371 | 557 | 1,408,090 | 1,983,636 |
| Other expenses | 18,489 | 8,397 | 4,545 | 2,897 | 2,549 | 408,259 | 445,136 | 559,168 | 8,831 | 1,013,135 | 466,521 |
| Telephone | 85,455 | 33,966 | 29,980 | 22,145 | 28,129 | 167,026 | 366,701 | 243,028 | 392 | 610,121 | 649,832 |
| Contract services | 155,382 | 2,134 | 1,416 | 1,545 | 1,408 | 19,875 | 181,760 | 382,610 | 11,453 | 575,823 | 722,534 |
| Depreciation | | | | | | | - | 504,973 | | 504,973 | 206,884 |
| Equipment rental and maintenance | 93,757 | 31,232 | 25,768 | 21,851 | 22,785 | 152,017 | 347,410 | 113,050 | 252 | 460,712 | 520,965 |
| Litigation | 207,170 | 29,513 | 5,125 | 10,701 | 1,070 | 58,818 | 312,397 | 46,487 | | 358,884 | 371,518 |
| Insurance | 66,977 | 22,959 | 12,702 | 17,402 | 6,631 | 109,265 | 235,936 | 110,439 | 169 | 346,544 | 311,888 |
| Training | 125,808 | 17,886 | 5,352 | 7,460 | 2,095 | 36,138 | 194,739 | 41,340 | 1,131 | 237,210 | 257,005 |
| Library | 50,226 | 19,386 | 16,435 | 14,040 | 12,812 | 97,739 | 210,638 | 1,155 | | 211,793 | 221,178 |
| Capital expenditures (below capitalization) | | | | | | | - | 140,000 | | 140,000 | - |
| Office supplies and expense | 39,112 | 7,738 | 4,715 | 3,188 | 11,517 | 45,662 | 111,932 | 27,443 | 55 | 139,430 | 196,746 |
| Audit | | | | | | | - | 70,900 | | 70,900 | 71,900 |
| Postage | 6,885 | 3,435 | 4,809 | 1,916 | 1,721 | 15,267 | 34,033 | 12,779 | 568 | 47,380 | 45,241 |
| Travel | 14,552 | 2,785 | 913 | 2,112 | 104 | 11,732 | 32,198 | 9,908 | | 42,106 | 38,697 |
| Interest expense | | | | | | | - | | | - | 41,722 |
| TOTAL 2024 FUNCTIONAL EXPENSES | \$ 40,753,776 | \$ 3,407,694 | \$ 2,933,240 | \$ 2,247,777 | \$ 2,050,342 | \$ 13,919,184 | \$ 65,312,013 | \$ 6,480,295 | \$ 106,369 | \$ 71,898,677 | |
| TOTAL 2023 FUNCTIONAL EXPENSES | \$ 24,361,229 | \$ 11,012,391 | \$ 3,904,899 | \$ 3,742,122 | \$ 2,708,408 | \$ 14,569,244 | \$ 60,298,293 | \$ 6,071,843 | \$ 106,350 | | \$ 66,476,486 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS
For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

| | 2024 | 2023 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 90,542 | \$ 7,156,147 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 504,973 | 206,884 |
| Contributions restricted for capital campaign | (125,000) | (489,691) |
| Unrealized (gain) on investments | (331,179) | (407,821) |
| Interest and dividends reinvested | (470,642) | (320,796) |
| (Gain) on transfer of real property received | - | (2,093,245) |
| Amortization of right-of-use assets - operating leases | 344,062 | 278,438 |
| Amortization of right-of-use assets - finance leases | 112,670 | 168,194 |
| Reduction of lease liabilities - operating leases | (402,073) | (261,140) |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (1,963,250) | (4,618,040) |
| Accounts receivables | (1,434) | 15,791 |
| Other receivables | (1,511) | (5,754) |
| Prepaid expenses and deposits | (23,347) | (968,867) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,226,607 | 1,998,868 |
| Accrued liabilities and client trust payable | 872,026 | 120,965 |
| Operating lease liabilities | | |
| Accrued unemployment liability | (9,514) | (716) |
| Deferred revenue | 1,174,026 | (528,754) |
| | 996,956 | 250,463 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS (TO) INVESTING ACTIVITIES: | | |
| Purchase of NMTC investment fund | - | (1,000) |
| Purchase of investments | (20,766) | - |
| Purchase of property and equipment | (2,961,824) | (468,836) |
| Proceeds from sale of investment | - | 314,650 |
| | (2,982,590) | (155,186) |
| NET CASH (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM (TO) FINANCING ACTIVITIES: | | |
| Principal payments on note payable | - | (1,200,000) |
| Collection on capital campaign | 896,470 | 154,126 |
| Repayment of principal of finance leases | (108,319) | (134,657) |
| | 788,151 | (1,180,531) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | | |
| NET (DECREASE) IN CASH | (1,197,483) | (1,085,254) |
| CASH, BEGINNING OF YEAR | 5,385,972 | 6,471,226 |
| CASH, END OF YEAR | \$ 4,188,489 | \$ 5,385,972 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid during the year for interest: | \$ 2,576 | \$ 42,984 |
| Operating activities reflects interest of finance leases paid of: | \$ 25,664 | \$ 9,888 |
| NON-CASH OPERATING AND FINANCING ACTIVITY: | | |
| Right-of-use assets and liabilities from addition of new leases | \$ 1,249,548 | \$ 605,159 |
| Right-of-use assets and liabilities from write-off of terminated lease | \$ (445,384) | \$ - |
| Notes receivable forgiven upon transfer of real property | \$ - | \$ 13,262,600 |
| Non-cash acquisition of property and equipment - ROJC transfer from LALAJC | \$ - | \$ 15,458,614 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

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 - Undesignated. 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.

Without Donor Restrictions - Designated by the Board. The Board of Directors has designated certain resources for a capital reserve to assure long-term stability in light of uncertainties with funding sources. Accordingly, these amounts are shown as without donor restriction - and are not to be used for general operations without a majority vote of the Board. The designated amount was \$8,629,400 at December 31, 2024.

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 those 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.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as (loss) gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds that are not used for operations are treated as investments.

LAFLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that change in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

Concentrations and Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 2024, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 76% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2024, revenue from one government funding source was approximately 12% of total revenue.

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

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

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new impairment model, the current expected credit loss (CECL) model. The model applies to most assets that are measured at amortized cost and requires those assets to be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are to be recognized through an allowance account. ASU 2016-13 also expands existing disclosure requirements. For nonpublic entities, ASU 2019-10 delayed the effective date of ASU 2016-13, and related subsequent ASUs, to fiscal years beginning after December 15, 2022. Management has determined that the adoption would not have a significant impact in the financial statements for the year ended December 31, 2024.

Leases

LAFLA applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains of a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. LAFLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. LAFLA further determined that all the existing leases are operating leases, which are included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position.

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

Per the LSC Program Letter 23-2, and in conjunction with FASB ASU 2018-08, LSC Basic Field Grant awards do not involve an exchange with recipients of commensurate value and the benefit to LSC is considered indirect because the grant serves the general public. As such, LSC considers its Basic Field Grant awards as non-exchange transactions/contributions. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts, if any, are reflected in the financial statements as refundable advances liability.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received, and the related case is ultimately resolved.

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$13,043,941 for the year ended December 31, 2024. Contributed services are valued and reported in the financial statements at their estimated fair value based on average prevailing billing rates, by position, of the participating legal firms or attorneys in the region. There were no donor-imposed restrictions on the donated services and were used entirely for programs services and shown on Statement of Functional Expenses.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

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.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 23, 2025, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 receives a financial and investment report every month, and meets roughly every other month to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2024, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash | \$ 4,188,489 |
| Investments | 17,554,334 |
| Grants receivable | 13,771,798 |
| Pledges receivable (due within one year) | <u>375,025</u> |
| | 35,889,646 |
| Less: net assets with purpose and time restrictions | (1,344,482) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| Total financial assets available within one year for general expenditures | <u>\$34,536,507</u> |

LAFLA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$74.5 million in earned revenue to cover operating expenditures within the next year.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2024, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2024. Additionally, a discount on pledges receivable, for pledges due in more than one year, is deemed immaterial, and accordingly, is not recorded as of December 31, 2024.

Pledges receivable at December 31, 2024 are expected to be collected as follows:

| | |
|-------------------|--------------------|
| Within one year | \$ 375,025 |
| One to five years | <u>648,833</u> |
| | <u>\$1,023,858</u> |

5. Investments

Investments at December 31, 2024 consist of the following:

| | |
|---------------------------|---------------------|
| Fixed income | \$15,548,126 |
| Certificates of deposit | 95,008 |
| Cash and cash equivalents | <u>1,911,200</u> |
| | <u>\$17,554,334</u> |

6. Property and Equipment

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

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$ 206,002 | \$ 380,487 | \$ 586,489 |
| Building improvements | | 2,718,412 | 2,718,412 |
| Land | | 5,331,759 | 5,331,759 |
| Building | | 12,928,897 | 12,928,897 |
| Law library | | 320,660 | 320,660 |
| Construction in progress | | 3,228,986 | 3,228,986 |
| Vehicles | | <u>38,584</u> | <u>38,584</u> |
| | 206,002 | 24,947,785 | 25,153,787 |
| Less: accumulated depreciation | <u>(182,664)</u> | <u>(2,734,596)</u> | <u>(2,917,260)</u> |
| | <u>\$ 23,338</u> | <u>\$22,213,189</u> | <u>\$22,236,527</u> |

Depreciation expense for the year ended December 31, 2024 was \$504,973.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

7. **Accrued Liabilities**

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

| | |
|---------------------------|--------------------|
| Accrued vacation | \$1,575,430 |
| Accrued payroll | 1,095,502 |
| Other accrued liabilities | <u>11,195</u> |
| | <u>\$2,682,127</u> |

8. **Accrued Unemployment Liability**

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2024 of \$186,151, represents estimated future claims arising from payroll paid to December 31, 2024. Unemployment expense for the year ended December 31, 2024 was \$30,064.

9. **Deferred Revenue**

Deferred revenue at December 31, 2024 consists of the following:

| | |
|--|--------------------|
| IOLTA | \$2,038,221 |
| City of LA – EDP | 1,000,000 |
| City of Santa Monica | 246,881 |
| LA County Eviction Defense Program | 174,474 |
| Munzer Foundation Long Beach | 150,175 |
| Others | 149,151 |
| Immigration Legal Services Support Project | 70,223 |
| EAF Homelessness Prevention III | 53,107 |
| One Justice SHLA | 51,643 |
| Josephine Gumbiner | 50,000 |
| WF Housing Grant | <u>40,924</u> |
| | <u>\$4,024,799</u> |

10. **Right-of-Use Assets and Lease Liabilities - Operating and Finance Leases**

LAFLA evaluated current contracts to determine which met the criteria of a lease. ROU assets represent LAFLA's right to use underlying assets for the lease term, and the lease liabilities represent LAFLA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases and finance lease, were calculated based on the present value of future lease payments over the lease terms. LAFLA used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, LAFLA uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

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

LAFLA's operating leases consist of two office leases, while the finance leases consists of one office equipment lease. The ROU assets and leases liabilities for these leases were determined based on the current terms in force as of December 31, 2024. No additional options have been included.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2024 were 52.6 months and 3.91%, respectively.

The weighted average of remaining lease terms and weighted average of discount rate for financing leases as of December 31, 2024 were 48.0 months and 4.72%, respectively.

Cash paid for the operating leases and finance leases for the year ended December 31, 2024 was \$393,002 and \$137,724, respectively. There were no non-cash financing transactions related to leasing during the year ended December 31, 2024.

Future maturities under operating leases and finance leases are as follows:

| <u>Year ending December 31,</u> | <u>Operating Leases</u> | <u>Finance Leases</u> |
|---------------------------------|-----------------------------|---------------------------|
| 2025 | \$ 295,729 | \$137,724 |
| 2026 | 249,589 | 137,724 |
| 2027 | 257,077 | 137,724 |
| 2028 | 264,789 | 137,724 |
| 2029 | <u>157,130</u> | <u>-</u> |
| | 1,224,314 | 550,896 |
| Less: present value discount | <u>(96,198)</u> | <u>(46,887)</u> |
| | <u>\$1,128,116</u> | <u>\$504,009</u> |

The above maturities reflect lease agreements in effect as of December 31, 2024. LAFLA continually renegotiates its lease agreements; therefore, future maturity amounts may change.

The ROU assets related to operating leases at December 31, 2024 are as follows:

| | |
|--|--------------------|
| ROU assets – operating leases – January 1, 2024 | \$ 660,585 |
| Less: amortization | (344,062) |
| Add: New lease and renewed lease for current year | 1,249,548 |
| Less: ROU write-off due to termination in current year | <u>(445,384)</u> |
| ROU assets – operating leases – December 31, 2024 | <u>\$1,120,687</u> |

The ROU assets related to finance leases at December 31, 2024 are as follows:

| | |
|---|-------------------|
| ROU assets – finance leases – January 1, 2024 | \$ 576,342 |
| Less: amortization | <u>(112,670)</u> |
| | <u>\$ 463,672</u> |

Lease expense under operating leases and finance leases for the years ended December 31, 2024 were \$388,197 and \$141,820, respectively.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2024.

12. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2024 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|---------------------|----------------|----------------|---------------------|
| Fixed income | <u>\$15,548,126</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$15,548,126</u> |

The fair value of fixed income investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

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

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|-----------------------------|-----------------------------|------------------|---------------------|
| Donated services | \$ - | \$13,043,941 | \$ - | \$13,043,941 |
| Pledged contributions - new | <u> </u> | <u> </u> | <u>246,243</u> | <u>246,243</u> |
| | <u>\$ -</u> | <u>\$13,043,941</u> | <u>\$246,243</u> | <u>\$13,290,184</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions

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

| | |
|---|--------------------|
| <u>Purpose and time restriction:</u> | |
| Capital campaign | \$ 812,256 |
| Donation for parking – purpose restricted | <u>532,226</u> |
| | 1,344,482 |
| <u>In perpetuity:</u> | |
| Donor restricted endowment funds (see Note 16) | <u>8,657</u> |
| Net assets with donor restrictions at December 31, 2024 | <u>\$1,353,139</u> |

For the year ended December 31, 2024, net assets released from donor restrictions were \$1,497,911 which consisted of \$188,652 released for purpose restrictions and \$1,309,259 for capital restrictions.

14. Endowment

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA’s Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2024 was \$8,657.

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2024, there were no such declines in value below the amount of the original endowments.

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 3% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 5%. Actual results during any period may vary from these expectations.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

14. Endowment, continued

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA's spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2024 is as follows:

| | <u>With Donor Restrictions</u> |
|----------------------------------|---|
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

Changes in endowment net assets as of December 31, 2024 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | <u>\$8,657</u> |
| Endowment net assets, end of year | <u>\$8,657</u> |

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

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

15. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2024 were \$879,954.

16. Related Party Transactions

In 2024, LAFLA received a contribution from Los Angeles Legal Aid Justice Center ("LALAJC"), an affiliate not-for-profit organization, in support of LAFLA's charitable mission. Total contributions from LALAJC to LAFLA for the year ended December 31, 2024 was \$430,075.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

17. Government Contracts

Government contracts for the year ended December 31, 2024 consist of the following:

| | |
|---|---------------------|
| LA County Eviction Defense Program | \$16,095,982 |
| HUD Eviction Defense Program | 15,969,938 |
| Legal Services Corporation | 8,279,939 |
| Interest on Lawyer Trust Account | 2,583,534 |
| Equal Access Funds | 2,219,735 |
| Shriver Housing Project | 859,995 |
| Self Help Legal Access Centers | 858,772 |
| The American Rescue Plan Act – Los Angeles County | 833,673 |
| EAF Homelessness Prevention III | 774,420 |
| Domestic Violence Clinic and Community Legal Service | 720,267 |
| CalWORKs Domestic Violence Program | 642,254 |
| Project Impact | 565,308 |
| Medical Legal Partnerships | 510,292 |
| HP III - TEAP | 399,384 |
| Measure H | 360,919 |
| LA County DHS – CBEST | 351,972 |
| Supportive Services for Veterans Families | 306,560 |
| Services for Trafficking Victims | 293,342 |
| LA County DOORS | 245,462 |
| CalCRG program | 209,591 |
| Cal ATJ LJP | 143,052 |
| Equal Access Partnership | 100,000 |
| State Bar Self Help Remote Tech Access | 100,000 |
| Immigration Legal Services Prevention Support Project | 92,131 |
| SM ARP DV Shelter & Support | 86,257 |
| PLAHA/LB Program | 84,767 |
| Cal DFPI Student Loan | 84,305 |
| The California Endowment | 75,000 |
| CDSS – Immigration Services | 75,000 |
| Others | 74,686 |
| Equal Justice Works Crime Victims Advocacy Program | 73,070 |
| Improving Criminal Justice Responses Program (ICJR) | <u>34,722</u> |
| | <u>\$54,104,329</u> |

SUPPLEMENTARY INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2024

Support

| | |
|-----------------------------------|------------|
| Basic grant (\$7,978,571 x 12.5%) | \$ 997,321 |
|-----------------------------------|------------|

| | |
|----------------------|----------------|
| Total support | <u>997,321</u> |
|----------------------|----------------|

Expenses

Personnel salaries:

| | |
|-----------|---------|
| Attorneys | 723,745 |
|-----------|---------|

| | |
|-------------------|---------|
| Employee benefits | 205,645 |
|-------------------|---------|

| | |
|--------------------|---------|
| Clerical and other | 234,724 |
|--------------------|---------|

| | |
|---------------|--------|
| Payroll taxes | 73,467 |
|---------------|--------|

| | |
|------------|--------|
| Paralegals | 66,172 |
|------------|--------|

| | |
|-----------------------|------------------|
| Total personnel costs | <u>1,303,753</u> |
|-----------------------|------------------|

| | |
|------------------------------|------------------|
| Total direct expenses | <u>1,303,753</u> |
|------------------------------|------------------|

| | |
|---------------------|--------|
| Space and occupancy | 70,465 |
|---------------------|--------|

| | |
|---------------------|--------|
| Service to programs | 28,253 |
|---------------------|--------|

| | |
|-----------|--------|
| Telephone | 30,524 |
|-----------|--------|

| | |
|----------------------------------|--------|
| Equipment rental and maintenance | 23,051 |
|----------------------------------|--------|

| | |
|------------|--------|
| Litigation | 17,966 |
|------------|--------|

| | |
|-----------|--------|
| Insurance | 17,340 |
|-----------|--------|

| | |
|---------|--------|
| Library | 10,603 |
|---------|--------|

| | |
|------------------------------|-------|
| Office supplies and expenses | 6,977 |
|------------------------------|-------|

| | |
|--------------------------------|----------------|
| Total indirect expenses | <u>205,179</u> |
|--------------------------------|----------------|

| | |
|-----------------------|------------------|
| Total expenses | <u>1,508,932</u> |
|-----------------------|------------------|

| | |
|--|--------------------------|
| Net PAI expenses over the requirement threshold | <u><u>\$ 511,611</u></u> |
|--|--------------------------|

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS
For the year ended December 31, 2024

| | <u>Basic Field</u> | <u>LSC PBIF</u> | <u>LSC TIG Grant</u> | <u>Property</u> | <u>Total</u> |
|--|------------------------|-----------------|----------------------|------------------|------------------|
| Revenue and support | | | | | |
| Basic grant | \$ 7,978,571 | \$ 145,038 | \$ 156,330 | \$ - | \$ 8,279,939 |
| Attorney fees | 1,600 | | | | 1,600 |
| Interest income | 20,567 | | | | 20,567 |
| Miscellaneous Income | 9,863 | | | | 9,863 |
| Unrealized gain on investment | 13,838 | | | | 13,838 |
| Total revenue and support | <u>8,024,439</u> | <u>145,038</u> | <u>156,330</u> | <u>-</u> | <u>8,325,807</u> |
| Expenses | | | | | |
| Personnel salaries: | | | | | |
| Attorneys | 2,236,709 | 48,412 | 3,556 | | 2,288,677 |
| Clerical and other | 2,182,750 | | 21,786 | | 2,204,536 |
| Employee benefits | 963,758 | 21,581 | 3,003 | | 988,342 |
| Paralegals | 504,603 | 48,148 | | | 552,751 |
| Payroll taxes | 363,329 | 7,387 | 1,058 | | 371,774 |
| Total personnel costs | <u>6,251,149</u> | <u>125,528</u> | <u>29,403</u> | <u>-</u> | <u>6,406,080</u> |
| Space and occupancy | 311,732 | 5,150 | 633 | | 317,515 |
| Telephone | 283,518 | 3,392 | 140 | | 287,050 |
| Equipment rental and maintenance | 130,442 | 3,024 | 120 | | 133,586 |
| Service to program | 160,986 | 568 | 7 | | 161,561 |
| Insurance | 125,354 | 1,122 | 87 | | 126,563 |
| Office supplies and expenses | 58,137 | 949 | 65 | | 59,151 |
| Library | 57,125 | 1,350 | 53 | | 58,528 |
| Training | 71,109 | 2,930 | 6,699 | | 80,738 |
| Litigation | 54,941 | | 1 | | 54,942 |
| Other | 474,831 | 228 | 22 | | 475,081 |
| Depreciation | | | | 35,298 | 35,298 |
| Audit | 13,839 | 659 | | | 14,498 |
| Travel | 10,276 | 138 | 100 | | 10,514 |
| Total expenses | <u>8,003,439</u> | <u>145,038</u> | <u>37,330</u> | <u>35,298</u> | <u>8,221,105</u> |
| Change in net assets | 21,000 | - | 119,000 | (35,298) | 104,702 |
| Net assets, beginning of year | | | | 58,636 | 58,636 |
| Less: acquisition of equipment, net | 21,000 | | 119,000 | | 140,000 |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,338</u> | <u>\$ 23,338</u> |
| Refundable advances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See independent auditors' report.

EXHIBIT 6

EXHIBIT 6



LEGAL AID FOUNDATION OF LOS ANGELES

SINGLE AUDIT REPORTS

DECEMBER 31, 2025

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.900.9883
www.npocpas.com

WALNUT CREEK
2033 N. Main Street, #350
Walnut Creek, CA 94596
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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Legal Aid Foundation of Los Angeles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2025 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Foundation of Los Angeles' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Foundation of Los Angeles' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***
continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
April 28, 2026

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

To the Board of Directors
Legal Aid Foundation of Los Angeles

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legal Aid Foundation of Los Angeles' compliance with the types of compliance requirements identified as subject to audit in the *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* and U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Legal Aid Foundation of Los Angeles' major federal programs for the year ended December 31, 2025. Legal Aid Foundation of Los Angeles' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid Foundation of Los Angeles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Foundation of Los Angeles and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Legal Aid Foundation of Los Angeles' federal programs.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legal Aid Foundation of Los Angeles' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, and *Compliance Supplement for Audits of Legal Services Corporation (LSC) Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legal Aid Foundation of Los Angeles' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Legal Aid Foundation of Los Angeles' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Legal Aid Foundation of Los Angeles' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Legal Aid Foundation of Los Angeles as of and for the year ended December 31, 2025, and have issued our report thereon dated April 28, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
April 28, 2026

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended December 31, 2025

| Federal Grantor Agency/Pass-through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|---|-------------------------|-----------------------------------|----------------------|-------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Federal Awards | | | | | | |
| Legal Services Corporation: | | | | | | |
| Direct from, Legal Services Corporation: | | | | | | |
| Legal Services for Low Income - Basic Field Grant | 805080 | 9.80508 | \$ 6,266,023 | \$ - | \$ 6,266,023 | \$ - |
| Pro Bono Innovation Fund - Special Grant | GT-PB22P-00001 | 9.80508 | 82,935 | | 82,935 | |
| Los Angeles Wildfire Disaster Recovery | AD-23DRG-00006 | 9.80508 | 112,089 | | 112,089 | |
| Legal Service Artificial Intelligence Tools | AD-TG23G-00009 | 9.80508 | 59,880 | | 59,880 | |
| Legal Access Naturalization for New Americans | AD-P-00026 | 9.80508 | 33,121 | | 33,121 | |
| Total Legal Services Corporation | | | 6,554,048 | - | 6,554,048 | - |
| U.S. Department of Health and Human Services ("DHHS"), Office of Refugee Resettlement: | | | | | | |
| Pass-through, County of Los Angeles, Department of Public Social Services: | | | | | | |
| Temporary Assistance for Needy Families (TANF) | PH-004251 | 93.558 | 841,131 | | 841,131 | |
| Total DHHS | | | 841,131 | - | 841,131 | - |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Direct from DOJ, Office of Justice Programs, Office for Victims of Crime: | | | | | | |
| Services for Trafficking Victims | 2023-OVC-CVAP-016 | 16.320 | 326,734 | | 326,734 | |
| Pass-through, Office on Violence Against Women: | | | | | | |
| Legal Assistance for Victims | 15JOVW-25-GG-00481-LEGA | 16.524 | 32,410 | | 32,410 | |
| Pass-through, Office of Justice Programs, Office for Victims of Crime, Equal Justice Works: | | | | | | |
| Crime Victim Assistance/Discretionary Grants | 2023-OVC-CVAP-016 | 16.582 | 23,502 | | 23,502 | |
| Total DOJ | | | 382,646 | - | 382,646 | - |
| U.S. Department of Housing and Urban Development ("HUD"): | | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | | |
| Pass-through, City of Los Angeles, Housing and Community Investment Department: | | | | | | |
| Home Investment Partnerships Program | C-138260 | 14.239 | 6,094,281 | | 6,094,281 | 3,845,566 |
| Pass-through, City of Santa Monica: | | | | | | |
| Home Investment Partnerships Program | 11265 | 14.239 | 536,357 | | 536,357 | 139 |
| Total HUD | | | 6,630,638 | - | 6,630,638 | 3,845,705 |
| U.S. Department of the Treasury ("TREASURY"): | | | | | | |
| Pass-through, City of Los Angeles, Department of Consumer and Business Affairs: | | | | | | |
| Emergency Rental Assistance Program | CA23-015 | 21.023 | 2,202,000 | | 2,202,000 | 1,229,976 |
| Coronavirus State and Local Fiscal Recovery Funds | CA22-019 | 21.027 | 14,351,541 | | 14,351,541 | 11,263,495 |
| Total TREASURY | | | 16,553,541 | - | 16,553,541 | 12,493,471 |
| U.S. Department of Veterans Affairs ("VA"): | | | | | | |
| Direct from, VA: | | | | | | |
| Legal Services for Homeless Veterans and Veterans At-Risk for Homelessness Grant Program | | | | | | |
| Legal Services for Homeless Veterans and Veterans At-Risk for Homelessness Grant Program | CA-067-LSV-689-26 | 64.056 | 105,714 | | 105,714 | |
| Legal Services for Homeless Veterans and Veterans At-Risk for Homelessness Grant Program | CA-067-LSV-186-22 | 64.056 | 98,036 | | 98,036 | |
| Pass-through, United States Veterans Initiative: | | | | | | |
| VA Supportive Services for Veteran Families Program | N/A | 64.033 | 67,000 | | 67,000 | |
| Total VA | | | 270,750 | - | 270,750 | - |
| Total Federal Awards | | | 31,232,754 | - | 31,232,754 | 16,339,176 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
 For the year ended December 31, 2025
 continued

| Federal Grantor Agency/Pass-through Grantor/Program Title | Contract Number | Federal Assistance Listing Number | Governmental Revenue | | Total Program Expenditures | Pass-through to Sub-recipients |
|---|------------------|-----------------------------------|----------------------|----------------------|----------------------------|--------------------------------|
| | | | Federal | Non-federal | | |
| Non-federal Awards | | | | | | |
| Neighborhood Legal Services of Los Angeles County: | | | | | | |
| Self Help Legal Access Centers-Long Beach | N/A | N/A | | 309,830 | 309,830 | |
| Self Help Legal Access Centers-Santa Monica | N/A | N/A | | 99,245 | 99,245 | |
| Self Help Legal Access Centers-Torrance | N/A | N/A | | 154,857 | 154,857 | |
| Self Help Legal Access Centers-Inglewood | N/A | N/A | | 223,663 | 223,663 | |
| Shriver Housing Project | N/A | N/A | | 1,211,638 | 1,211,638 | |
| Medical Legal Partnership - BHI | N/A | N/A | | 45,771 | 45,771 | |
| Medical Legal Partnership - Long Beach | N/A | N/A | | 159,487 | 159,487 | |
| Medical Legal Partnership - Rancho | N/A | N/A | | 159,188 | 159,188 | |
| Medical Legal Partnership - MLK | N/A | N/A | | 171,214 | 171,214 | |
| CA Access to Justice Commission - Language Justice Project | N/A | N/A | | 56,948 | 56,948 | |
| | | | | 2,591,841 | 2,591,841 | - |
| City of Santa Monica: | | | | | | |
| General Community Legal Service Program | N/A | N/A | | 724,482 | 724,482 | |
| Santa Monica RTC - COG | N/A | N/A | | 23,716 | 23,716 | |
| | | | | 748,198 | 748,198 | - |
| State Bar of California: | | | | | | |
| The State Bar of California - IOLTA | N/A | N/A | | 4,694,934 | 4,694,934 | |
| The State Bar of California - Equal Access Fund | N/A | N/A | | 1,604,838 | 1,604,838 | |
| The State Bar of California - Equal Access Partnership | N/A | N/A | | 108,099 | 108,099 | |
| The State Bar of California - Self Help Remote Tech Access Project | N/A | N/A | | 88,503 | 88,503 | |
| | | | | 6,496,374 | 6,496,374 | - |
| State of California: | | | | | | |
| CA Dept. of Financial Protection and Innovation (via Neighborhood Legal Services) | 24SLE011 | N/A | | 219,731 | 219,731 | |
| CA Governor's Office of Business and Economic Development | CalCRG-2022-1596 | N/A | | 29,787 | 29,787 | |
| CA Health and Human Services Agency - Dept. of Health Care Services | 24-40202 | N/A | | 1,622,130 | 1,622,130 | |
| AHSC Metro | N/A | N/A | | 150,000 | 150,000 | |
| CDSS | N/A | N/A | | 105,931 | 105,931 | |
| | | | | 2,127,579 | 2,127,579 | - |
| Catholic Legal Immigration Network, Inc.: | | | | | | |
| Immigration Legal Services Support Project | N/A | N/A | | 139,883 | 139,883 | |
| The California Endowment: | | | | | | |
| The California Endowment | 20243683 | N/A | | 93,750 | 93,750 | |
| Inner City Law Center: | | | | | | |
| Measure H | 2017CNGFH182 | N/A | | 288,914 | 288,914 | |
| City of Los Angeles: | | | | | | |
| City of Los Angeles-GCP/ULA/SB2/CD10/CD11 | C-138260 | N/A | | 22,583,826 | 22,583,826 | 19,035,571 |
| LA Care | N/A | N/A | | 1,426,572 | 1,426,572 | 1,040,562 |
| City of Los Angeles - ICJR | N/A | N/A | | 88,883 | 88,883 | |
| Breaking Barriers | N/A | N/A | | 87,390 | 87,390 | |
| ULA Income Supports from United Way | N/A | N/A | | 152,212 | 152,212 | |
| | | | | 24,338,883 | 24,338,883 | 20,076,133 |
| County of Los Angeles: | | | | | | |
| Eviction Defense Program | CA22-020 | N/A | | 1,176,864 | 1,176,864 | 413,020 |
| County of Los Angeles - DVSA | N/A | N/A | | 318,029 | 318,029 | |
| LA County OIA via CNM | N/A | N/A | | 60,000 | 60,000 | |
| JCOD FCO | N/A | N/A | | 386,276 | 386,276 | |
| DOORS | J-709728 | N/A | | 242,447 | 242,447 | |
| CBEST | H-709630 | N/A | | 666,727 | 666,727 | |
| | | | | 2,850,343 | 2,850,343 | 413,020 |
| Total Non-federal Awards | | | | 39,675,765 | 39,675,765 | 20,489,153 |
| Total Federal and Non-federal Awards | | | \$ - | \$ 39,675,765 | \$ 70,908,519 | \$ 36,828,329 |

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2025

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Legal Aid Foundation of Los Angeles (“LAFLA”), under the programs of the federal government for the year ended December 31, 2025. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LAFLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAFLA.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. LAFLA has elected to use the 15 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

LAFLA provided the following federal awards to sub-recipients during the year ended December 31, 2025:

| <u>Name</u> | <u>21.027</u> | <u>FAL#</u> | <u>14.239</u> | <u>Amount</u> |
|--|---------------------|--------------------|--------------------|---------------------|
| Inner City Law Center | \$ 1,832,369 | \$ 196,203 | \$2,017,819 | \$ 4,046,391 |
| Liberty Hill Foundation | 3,824,862 | | | 3,824,862 |
| Housing Rights Center | 2,424,894 | 105,515 | | 2,530,409 |
| Basta Universal | 950,635 | 157,822 | 615,570 | 1,724,027 |
| Neighborhood Legal Services | 848,159 | 208,767 | 251,263 | 1,308,189 |
| Community Legal Aid SoCal | 855,152 | 156,858 | | 1,012,010 |
| Bet Tzedek | 124,430 | 111,381 | 384,049 | 619,860 |
| Eviction Defense Network | 228,257 | 257,421 | 119,518 | 605,196 |
| Movement Legal | | | 315,237 | 315,237 |
| Mental Health Advocacy Services | 110,012 | 21,671 | 70,855 | 202,538 |
| Public Counsel | 29,398 | 10,590 | 69,771 | 109,759 |
| Asian Americans Advancing Justice Southern California | <u>35,327</u> | <u>3,748</u> | <u>1,623</u> | <u>40,698</u> |
| | <u>\$11,263,495</u> | <u>\$1,229,976</u> | <u>\$3,845,705</u> | <u>\$16,339,176</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. Other Information

LAFLA did not receive federal insurance, loans, or non-cash assistance during the year ended December 31, 2025, that are required to be reported on the Schedule.

continued

LEGAL AID FOUNDATION OF LOS ANGELES
Schedule of Findings and Questioned Costs
For the year ended December 31, 2025

Section I – Summary of Auditors’ Results

Financial Statements:

| | |
|---|---------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? | No |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$1,000,000 |
| Auditee qualified as low-risk auditee? | Yes |
| <u>Identification of Major Programs:</u> | |
| Legal Services Corporation: | |
| Legal Services for Low Income | 9.80508 |

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.



LEGAL AID FOUNDATION OF LOS ANGELES

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2025

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.900.9883
www.npocpas.com

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legal Aid Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2025, 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Foundation of Los Angeles as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Foundation of Los Angeles 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Private Attorney Involvement (PAI) Compliance and Schedule of Revenue, Support, Expenses, and Changes in Net Assets for Legal Services Corporation ("LSC") Funds, as required by the LSC *Audit Guide for Recipients and Auditors* 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Los Angeles' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2026, on our consideration of Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' 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 Legal Aid Foundation of Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 28, 2026

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

December 31, 2025

With comparative totals at December 31, 2024

| | 2025 | 2024 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 10,577,866 | \$ 4,188,489 |
| Clients' trust deposits (Note 2) | 9,772 | 84,772 |
| Grants receivable | 16,206,751 | 13,771,798 |
| Pledges receivable (Note 4) | 516,287 | 1,023,858 |
| Other receivables | 23,319 | 88,852 |
| Prepaid expenses and deposits | 1,340,134 | 1,185,344 |
| Investments (Note 5) | 21,656,678 | 17,554,334 |
| Right-of-use assets - operating leases (Note 10) | 890,048 | 1,120,687 |
| Right-of-use assets - finance leases (Note 10) | 347,833 | 463,672 |
| Property and equipment (Note 6) | 27,686,700 | 22,236,527 |
| | \$ 79,255,388 | \$ 61,718,333 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 11,056,691 | \$ 9,155,072 |
| Accrued liabilities (Note 7) | 3,486,543 | 2,682,127 |
| Clients' trust deposits payable (Note 2) | 9,772 | 84,772 |
| Accrued unemployment liability (Note 8) | 186,151 | 186,151 |
| Deferred revenue (Note 9) | 14,058,030 | 4,024,799 |
| Lease liabilities - operating leases (Note 10) | 908,899 | 1,128,116 |
| Lease liabilities - finance leases (Note 10) | 386,582 | 504,009 |
| | 30,092,668 | 17,765,046 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 39,660,681 | 33,970,748 |
| Designated by the Board for operating reserve | 8,629,400 | 8,629,400 |
| With donor restrictions | | |
| Purpose and time restrictions (Note 13) | 863,982 | 1,344,482 |
| Perpetual in nature (Note 14) | 8,657 | 8,657 |
| | 49,162,720 | 43,953,287 |
| | \$ 79,255,388 | \$ 61,718,333 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2025

With comparative totals for the year ended December 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | 2025 | 2024 |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 17) | \$ 70,908,519 | \$ - | \$ 70,908,519 | \$ 54,104,329 |
| Donated services (Note 2) | 17,832,475 | | 17,832,475 | 13,043,941 |
| Employee Retention Credit (Note 16) | 2,827,742 | | 2,827,742 | - |
| Special events (net of expenses of \$287,795) | 927,170 | | 927,170 | 576,798 |
| Cy pres | 912,442 | | 912,442 | 638,449 |
| Interest income | 661,564 | | 661,564 | 470,642 |
| Grants and contributions | 1,623,175 | 32,105 | 1,655,280 | 1,794,799 |
| Miscellaneous income | 283,557 | | 283,557 | 462,901 |
| Attorney fees | 61,593 | | 61,593 | 11,106 |
| Contributions - capital campaign | | 10,000 | 10,000 | 125,000 |
| Contribution from LALAJC (Note 16) | | | - | 430,075 |
| Net assets released from purpose restrictions (Note 13) | 32,105 | (32,105) | - | - |
| Net assets released from capital restrictions (Note 13) | 490,500 | (490,500) | - | - |
| | 96,560,842 | (480,500) | 96,080,342 | 71,658,040 |
| EXPENSES | | | | |
| Program services | 82,941,422 | | 82,941,422 | 65,312,013 |
| Management and general | 8,002,274 | | 8,002,274 | 6,480,295 |
| Fundraising | 142,363 | | 142,363 | 106,369 |
| | 91,086,059 | - | 91,086,059 | 71,898,677 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | 5,474,783 | (480,500) | 4,994,283 | (240,637) |
| OTHER CHANGES | | | | |
| Gain on investments | 215,150 | | 215,150 | 331,179 |
| | 215,150 | - | 215,150 | 331,179 |
| CHANGE IN NET ASSETS | 5,689,933 | (480,500) | 5,209,433 | 90,542 |
| NET ASSETS, BEGINNING OF YEAR | 42,600,148 | 1,353,139 | 43,953,287 | 43,862,745 |
| NET ASSETS, END OF YEAR | \$ 48,290,081 | \$ 872,639 | \$ 49,162,720 | \$ 43,953,287 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2025

With comparative totals for the year ended December 31, 2024

| | Program Services | | | | | | Total Program Services | Management and General | Fundraising | Total Expenses | |
|---|-------------------------------|------------------------------------|-----------------------|--------------------------------------|----------------------|----------------------|------------------------------|------------------------------|-------------------|----------------------|---------------|
| | Eviction Defense Center | Immigration Access Workgroup | Economic Stability | Asian Pacific Islander Program | Self Help Centers | Other | | | | 2025 | 2024 |
| Salaries and wages | \$ 5,569,883 | \$ 1,145,606 | \$ 1,948,285 | \$ 1,143,162 | \$ 1,157,116 | \$ 8,165,862 | \$ 19,129,914 | \$ 4,851,051 | \$ 84,434 | \$ 24,065,399 | \$ 20,578,427 |
| Employee benefits | 1,133,778 | 239,103 | 399,253 | 237,597 | 234,302 | 1,699,085 | 3,943,118 | 836,106 | 23,580 | 4,802,804 | 3,978,276 |
| Payroll taxes | 434,272 | 90,129 | 152,318 | 89,507 | 89,603 | 642,942 | 1,498,771 | 333,047 | 9,393 | 1,841,211 | 1,569,130 |
| Total personnel costs | 7,137,933 | 1,474,838 | 2,499,856 | 1,470,266 | 1,481,021 | 10,507,889 | 24,571,803 | 6,020,204 | 117,407 | 30,709,414 | 26,125,833 |
| Services to clients | 36,774,230 | | | | | | 36,774,230 | | | 36,774,230 | 26,561,802 |
| Donated services (Note 2) | 13,179,514 | 498,852 | 805,731 | 492,156 | 457,117 | 2,399,105 | 17,832,475 | | | 17,832,475 | 13,043,941 |
| Space and occupancy | 261,118 | 80,350 | 127,685 | 50,569 | 6,639 | 685,432 | 1,211,793 | 311,316 | | 1,523,109 | 1,408,090 |
| Telephone | 93,962 | 25,021 | 34,984 | 24,012 | 22,400 | 177,232 | 377,611 | 275,164 | | 652,775 | 610,121 |
| Equipment rental and maintenance | 130,613 | 27,073 | 38,350 | 27,120 | 21,636 | 182,659 | 427,451 | 116,311 | 294 | 544,056 | 460,712 |
| Depreciation | | | | | | | - | 529,391 | | 529,391 | 504,973 |
| Other expenses | 83,535 | 12,133 | 7,420 | 5,158 | 4,289 | 192,971 | 305,506 | 132,345 | 22,229 | 460,080 | 1,013,135 |
| Contract services | 196,669 | 2,934 | 2,969 | 3,506 | 4,420 | 32,203 | 242,701 | 207,011 | 1,350 | 451,062 | 575,823 |
| Insurance | 91,481 | 16,351 | 14,083 | 26,902 | 6,148 | 142,486 | 297,451 | 120,753 | | 418,204 | 346,544 |
| Litigation | 217,598 | 26,192 | 5,909 | 37,134 | 467 | 44,109 | 331,409 | 6,856 | | 338,265 | 358,884 |
| Library | 62,162 | 16,803 | 21,916 | 16,027 | 11,414 | 116,873 | 245,195 | 14,934 | | 260,129 | 211,793 |
| Training | 116,427 | 18,703 | 4,804 | 16,149 | 2,467 | 26,902 | 185,452 | 41,058 | | 226,510 | 237,210 |
| Office supplies and expense | 14,477 | 4,079 | 3,446 | 4,226 | 4,606 | 24,511 | 55,345 | 41,260 | 1,083 | 97,688 | 139,430 |
| Audit | | | | | | | - | 93,200 | | 93,200 | 70,900 |
| Capital expenditures (below capitalization) | | | | | | | - | 75,427 | | 75,427 | 140,000 |
| Travel | 26,397 | 5,201 | 2,369 | 2,968 | 1,301 | 15,706 | 53,942 | 3,424 | | 57,366 | 42,106 |
| Postage | 9,182 | 1,765 | 479 | 3,504 | 1,453 | 12,351 | 28,734 | 13,620 | | 42,354 | 47,380 |
| Access to justice | | | | | | 324 | 324 | | | 324 | - |
| TOTAL 2025 FUNCTIONAL EXPENSES | \$ 58,395,298 | \$ 2,210,295 | \$ 3,570,001 | \$ 2,179,697 | \$ 2,025,378 | \$ 14,560,753 | \$ 82,941,422 | \$ 8,002,274 | \$ 142,363 | \$ 91,086,059 | |
| TOTAL 2024 FUNCTIONAL EXPENSES | \$ 40,753,776 | \$ 3,407,694 | \$ 2,933,240 | \$ 2,247,777 | \$ 2,050,342 | \$ 13,919,184 | \$ 65,312,013 | \$ 6,480,295 | \$ 106,369 | | \$ 71,898,677 |

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

LEGAL AID FOUNDATION OF LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

With comparative totals for the year ended December 31, 2024

| | 2025 | 2024 |
|---|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 5,209,433 | \$ 90,542 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 529,391 | 504,973 |
| Contributions restricted for capital campaign | (10,000) | (125,000) |
| Unrealized (gain) on investments | (215,150) | (331,179) |
| Interest and dividends reinvested | (661,564) | (470,642) |
| Amortization of right-of-use assets - operating leases | 230,639 | 344,062 |
| Amortization of right-of-use assets - finance leases | 115,839 | 112,670 |
| Reduction of lease liabilities - operating leases | (219,217) | (402,073) |
| (Increase) decrease in operating assets: | | |
| Grants receivables | (2,434,953) | (1,963,250) |
| Accounts receivables | - | (1,434) |
| Other receivables | 65,533 | (1,511) |
| Prepaid expenses and deposits | (154,790) | (23,347) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,901,619 | 1,226,607 |
| Accrued liabilities and client trust payable | 804,416 | 872,026 |
| Accrued unemployment liability | - | (9,514) |
| Deferred revenue | 10,033,231 | 1,174,026 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 15,194,427 | 996,956 |
| CASH FLOWS (TO) INVESTING ACTIVITIES: | | |
| Purchase of investments | (3,225,630) | (20,766) |
| Purchase of property and equipment | (5,979,564) | (2,961,824) |
| NET CASH (USED) BY INVESTING ACTIVITIES | (9,205,194) | (2,982,590) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Collection on capital campaign | 517,571 | 896,470 |
| Repayment of principal of finance leases | (117,427) | (108,319) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 400,144 | 788,151 |
| NET INCREASED (DECREASE) IN CASH | 6,389,377 | (1,197,483) |
| CASH, BEGINNING OF YEAR | 4,188,489 | 5,385,972 |
| CASH, END OF YEAR | \$ 10,577,866 | \$ 4,188,489 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid during the year for interest: | \$ 11,839 | \$ 2,576 |
| Operating activities reflects interest of finance leases paid of: | \$ 20,297 | \$ 25,664 |
| NON-CASH OPERATING AND FINANCING ACTIVITY: | | |
| Right-of-use assets and liabilities from addition of new leases | \$ - | \$ 1,249,548 |
| Right-of-use assets and liabilities from write-off of terminated lease | \$ - | \$ (445,384) |

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

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Legal Aid Foundation of Los Angeles (“LAFLA”) is a California not-for-profit corporation organized for the purpose of providing legal assistance to persons financially unable to afford legal assistance in the metropolitan Los Angeles and Long Beach areas. Service priorities include housing, government benefits, family law, consumer law, education law, community economic development, employment law, and immigration law.

Legal Services Corporation (“LSC”), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and the State Bar of California Legal Services Trust Fund Program (“the State Bar”) provide support to LAFLA through annual grants.

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 - Undesignated. 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.

Without Donor Restrictions - Designated by the Board. The Board of Directors has designated certain resources for a capital reserve to assure long-term stability in light of uncertainties with funding sources. Accordingly, these amounts are shown as without donor restriction - and are not to be used for general operations without a majority vote of the Board. The designated amount was \$8,629,400 at December 31, 2025.

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 those 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.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Clients' Trust Deposits

LAFLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of LAFLA, because LAFLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of LAFLA.

Grant Funding

LAFLA receives multi-year grant funding from various sources, which in accordance with generally accepted accounting principles are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

Grants Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

LAFLA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as (loss) gain on investments. Short-term highly liquid cash sweep accounts, certificates of deposit, and money market funds that are not used for operations are treated as investments.

LAFLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that change in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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

LAFLA is required to measure certain investments, pledged contributions, and donated services 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.

Concentrations and Credit Risks

LAFLA places its temporary cash investments with high-credit, quality financial institutions. At times, the operating accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. LAFLA has not incurred losses related to these operating accounts.

The primary grant receivable balance outstanding at December 31, 2025, 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 LAFLA's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 75% of LAFLA's total revenue is derived from government contracts. Additionally, at December 31, 2025, revenue from one government funding source was approximately 24% of total revenue.

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 and the useful life is greater than one year.

Property and equipment acquired with federal funds or LSC funds are expensed by LAFLA, because the funding sources have reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

LAFLA applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains of a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. LAFLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. LAFLA further determined that all the existing leases are operating leases, which are included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position.

Revenue and Revenue Recognition

LAFLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met.

A portion of LAFLA’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LAFLA has incurred expenditures in compliance with specific contract or grant provisions.

Per the LSC Program Letter 23-2, and in conjunction with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, LSC Basic Field Grant awards do not involve an exchange with recipients of commensurate value and the benefit to LSC is considered indirect because the grant serves the general public. As such, LSC considers its Basic Field Grant awards as non-exchange transactions/contributions. LAFLA, upon satisfaction of the conditions outlined in the LSC grant agreements and incurrence of certain qualifying expense, records the LSC revenue as earned. Unexpended grant amounts, if any, are reflected in the financial statements as refundable advances liability.

Attorney Fees and Costs

Attorney fees and costs support result from reimbursement of litigation costs awarded by the court because of favorable resolutions. Because of the uncertainty surrounding the receipts of contributions and attorney fees and costs, LAFLA recognizes this support in the period in which the cash is received, and the related case is ultimately resolved.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Services

LAFLA has received significant contributions of non-cash legal services. The value of contributed services meeting the requirement for recognition in the financial statements was \$17,832,475 for the year ended December 31, 2025. Contributed services are valued and reported in the financial statements at their estimated fair value based on average prevailing billing rates, by position, of the participating legal firms or attorneys in the region. There were no donor-imposed restrictions on the donated services and were used entirely for programs services and shown on Statement of Functional Expenses.

Income Taxes

LAFLA 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 positions taken by LAFLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. LAFLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing LAFLA'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. Salaries and wages are allocated based upon an estimate of time spent by each employee related to each program.

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.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LAFLA's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassification

For comparability, certain December 31, 2024 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2025.

Subsequent Events

Management has evaluated subsequent events through April 28, 2026, 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. Liquidity and Availability of Resources

LAFLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. LAFLA 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, LAFLA 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 receives a financial and investment report every month, and meets roughly every other month to review all financial aspects of the organization and meets annually with LAFLA's financial advisors to review investment results, assess risk, and make recommendations for changes as needed. In addition to financial assets available to meet general expenditures over the next 12 months, LAFLA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2025, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | |
|---|---------------------|
| Cash | \$10,577,866 |
| Investments | 21,656,678 |
| Grants receivable | 16,206,751 |
| Pledges receivable (due within one year) | <u>359,410</u> |
| | 48,800,705 |
| Less: net assets with purpose and time restrictions | (863,982) |
| Less: net assets with perpetual restrictions | <u>(8,657)</u> |
| Total financial assets available within one year for general expenditures | <u>\$47,928,066</u> |

LAFLA also has in place various cost reimbursement and fee-for-service government contracts which are projected to produce over \$67 million in earned revenue to cover operating expenditures within the next year.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at their estimated fair value at December 31, 2025, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2025. Additionally, a discount on pledges receivable, for pledges due in more than one year, is deemed immaterial, and accordingly, is not recorded as of December 31, 2025.

Pledges receivable at December 31, 2025 are expected to be collected as follows:

| | |
|-------------------|------------------|
| Within one year | \$359,410 |
| One to five years | <u>156,877</u> |
| | <u>\$516,287</u> |

5. Investments

Investments at December 31, 2025 consist of the following:

| | |
|---------------------------|---------------------|
| Fixed income | \$19,472,017 |
| Certificates of deposit | 95,008 |
| Cash and cash equivalents | <u>2,089,653</u> |
| | <u>\$21,656,678</u> |

6. Property and Equipment

Property and equipment at December 31, 2025 consist of the following:

| | <u>LSC</u> | <u>Non LSC</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment | \$ 206,002 | \$ 380,487 | \$ 586,489 |
| Building improvements | | 2,908,172 | 2,908,172 |
| Land | | 5,331,759 | 5,331,759 |
| Building | | 12,928,897 | 12,928,897 |
| Law library | | 320,660 | 320,660 |
| Construction in progress | | 9,018,789 | 9,018,789 |
| Vehicles | | <u>60,584</u> | <u>60,584</u> |
| | <u>206,002</u> | <u>30,949,348</u> | <u>31,155,350</u> |
| Less: accumulated depreciation | <u>(206,002)</u> | <u>(3,262,648)</u> | <u>(3,468,650)</u> |
| | <u>\$ -</u> | <u>\$27,686,700</u> | <u>\$27,686,700</u> |

Depreciation expense for the year ended December 31, 2025 was \$529,391.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

7. Accrued Liabilities

Accrued liabilities at December 31, 2025 consist of the following:

| | |
|---------------------------|--------------------|
| Accrued vacation | \$2,150,138 |
| Accrued payroll | 1,311,805 |
| Other accrued liabilities | <u>24,600</u> |
| | <u>\$3,486,543</u> |

8. Accrued Unemployment Liability

LAFLA has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at December 31, 2025 of \$186,151, represents estimated future claims arising from payroll paid to December 31, 2025. Unemployment expense for the year ended December 31, 2025 was \$41,664.

9. Deferred Revenue

Deferred revenue at December 31, 2025 consists of the following:

| | |
|--|---------------------|
| IOLTA/ EAF Homelessness Prevention III | \$ 8,711,967 |
| DHCS Medi-Cal | 1,752,870 |
| City of LA – EDP | 1,000,000 |
| LSC | 880,946 |
| Balmer Grant | 562,575 |
| U Way GLA – ULA | 210,011 |
| Munzer Foundation Long Beach | 178,217 |
| LA County Eviction Defense Program | 142,010 |
| City of Santa Monica | 120,985 |
| Others | 104,406 |
| Wildfire Emergency Grant | 100,000 |
| Red Cross | 98,369 |
| EAF HP III | 53,107 |
| One Justice SHLA | 51,643 |
| Josephine Gumbiner | 50,000 |
| WF Housing Grant | <u>40,924</u> |
| | <u>\$14,058,030</u> |

As of December 31, 2025, deferred revenue increased significantly compared to the prior year, primarily due to approximately \$10,000,000 in funding advances received under four cost-reimbursement programs — the Interest on Lawyers' Trust Accounts (IOLTA)/Equal Access Fund (EAF) Homelessness Prevention III program, the California Department of Health Care Services (DHCS) Medi-Cal program, the Legal Services Corporation (LSC) program, and the Ballmer Group grant. Under these arrangements, revenue is recognized as qualifying costs are incurred in accordance with ASC 958-605, and the deferred balances will be recognized in the period(s) in which the corresponding program expenditures are made.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

10. Right-of-Use Assets and Lease Liabilities - Operating and Finance Leases

LAFLA evaluated current contracts to determine which met the criteria of a lease. ROU assets represent LAFLA's right to use underlying assets for the lease term, and the lease liabilities represent LAFLA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases and finance lease, were calculated based on the present value of future lease payments over the lease terms. LAFLA used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, LAFLA uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

LAFLA's operating leases consist of two office leases, while the finance leases consists of one office equipment lease. The ROU assets and leases liabilities for these leases were determined based on the current terms in force as of December 31, 2025. No additional options have been included.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2025 were 41.2 months and 3.90%, respectively.

The weighted average of remaining lease terms and weighted average of discount rate for financing leases as of December 31, 2025 were 36.0 months and 4.72%, respectively.

Cash paid for the operating leases and finance leases for the year ended December 31, 2025 was \$402,548 and \$137,724, respectively. There were no non-cash financing transactions related to leasing during the year ended December 31, 2025.

Future maturities under operating leases and finance leases are as follows:

| <u>Year ending December 31,</u> | Operating Leases | Finance Leases |
|---------------------------------|-----------------------------|---------------------------|
| 2026 | \$289,646 | \$137,724 |
| 2027 | 257,077 | 137,724 |
| 2028 | 264,789 | 137,724 |
| 2029 | <u>157,130</u> | <u>-</u> |
| | 968,642 | 413,172 |
| Less: present value discount | <u>(59,743)</u> | <u>(26,590)</u> |
| | <u>\$908,899</u> | <u>\$386,582</u> |

The above maturities reflect lease agreements in effect as of December 31, 2025. LAFLA continually renegotiates its lease agreements; therefore, future maturity amounts may change.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

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

The ROU assets related to operating leases at December 31, 2025 are as follows:

| | |
|---|-------------------|
| ROU assets – operating leases – January 1, 2025 | \$1,120,687 |
| Less: amortization | <u>(230,639)</u> |
| ROU assets – operating leases – December 31, 2025 | <u>\$ 890,048</u> |

The ROU assets related to finance leases at December 31, 2025 are as follows:

| | |
|---|-------------------|
| ROU assets – finance leases – January 1, 2025 | \$ 463,672 |
| Less: amortization | <u>(115,839)</u> |
| | <u>\$ 347,833</u> |

Lease expense under operating leases and finance leases for the years ended December 31, 2025 were \$266,709 and \$136,135, respectively.

11. Commitments and Contingencies

Contracts

LAFLA'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, LAFLA has no provisions for the possible disallowance of program costs on its financial statements at December 31, 2025.

12. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2025 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|---------------------|----------------|----------------|---------------------|
| Fixed income | <u>\$19,472,017</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$19,472,017</u> |

The fair value of fixed income investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Fair Value Measurements, continued

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2025:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|----------------|---------------------|-----------------|---------------------|
| Donated services | \$ - | \$17,832,475 | \$ - | \$17,832,475 |
| Pledged contributions - new | | | 42,105 | 42,105 |
| | <u>\$ -</u> | <u>\$17,832,475</u> | <u>\$42,105</u> | <u>\$17,874,580</u> |

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

The fair value of pledged contributions - new has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2025 consist of the following:

Purpose and time restriction:

| | |
|---|----------------|
| Capital campaign | \$331,756 |
| Donation for parking – purpose restricted | <u>532,226</u> |
| | 863,982 |

In perpetuity:

| | |
|---|------------------|
| Donor restricted endowment funds (see Note 16) | <u>8,657</u> |
| Net assets with donor restrictions at December 31, 2025 | <u>\$872,639</u> |

For the year ended December 31, 2025, net assets released from donor restrictions were \$522,605 which consisted of \$32,105 released for purpose restrictions and \$490,500 for capital restrictions.

With donor restriction – perpetual in nature net assets consist of an endowment contribution received by LAFLA’s Long Beach office. The total amount of with donor restrictions – perpetual in nature net assets at December 31, 2025 was \$8,657.

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

14. Endowment

In accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), a federal law that was adopted as California law in September 2008, LAFLA has classified as with donor restriction – perpetual in nature the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, with donor restrictions – perpetual in nature net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as without donor restrictions until they are appropriated by the Board for use in current operations. LAFLA considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in with donor restrictions net assets, if any are available, then in without donor restriction net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered. As of December 31, 2025, there were no such declines in value below the amount of the original endowments.

LAFLA has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return of approximately 3% while assuming a low investment risk. Over time, LAFLA expects its endowment funds to produce an average rate of return of approximately 5%. Actual results during any period may vary from these expectations.

LAFLA relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance between equity and debt investments.

LAFLA’s spending policy is to appropriate only investment income (dividends and interest) and investment gains for current operations. This spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. To maintain the purchasing power of the endowment asset, the spending policy allows the endowment to grow at an average rate of 2% annually.

Endowment net assets composition by type of fund as of December 31, 2025 is as follows:

| | |
|----------------------------------|---|
| | <u>With Donor Restrictions</u> |
| Donor-restricted endowment funds | <u>\$8,657</u> |
| Total funds | <u>\$8,657</u> |

continued

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

14. Endowment, continued

Changes in endowment net assets as of December 31, 2025 are as follows:

| | <u>With Donor Restrictions</u> |
|---|---|
| Endowment net assets, beginning of year | <u>\$8,657</u> |
| Endowment net assets, end of year | <u>\$8,657</u> |

Net assets with donor restrictions at December 31, 2025 consist of the following:

| | |
|--------------------------------|----------------|
| City National Bank investments | <u>\$8,657</u> |
|--------------------------------|----------------|

15. Employee Benefit Plan

LAFLA maintains a defined contribution, tax deferred annuity plan covering all employees with two or more years of service. Benefits under the plan are fully vested at all times. While participants may contribute a portion of their annual compensation, LAFLA contributes between 3.7% and 11% of each participant's annual compensation depending on an employee's length of service. LAFLA's contributions for the year ended December 31, 2025 were \$1,044,700.

16. Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides an Employee Retention Credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter. In 2025, LAFLA received tax credit payments under the CARES Act and recorded \$2,827,742 as revenue.

LEGAL AID FOUNDATION OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

17. Government Contracts

Government contracts for the year ended December 31, 2025 consist of the following:

| | |
|---|---------------------|
| HUD Eviction Defense Program | \$22,583,826 |
| LA County Eviction Defense Program | 18,290,478 |
| Legal Services Corporation | 6,554,048 |
| The American Rescue Plan Act – Los Angeles County | 6,094,281 |
| Interest on Lawyer Trust Account | 4,694,934 |
| DHCS Medi-Cal | 1,622,130 |
| Equal Access Funds | 1,604,838 |
| LA Care | 1,426,572 |
| Shriver Housing Project | 1,211,638 |
| CalWORKs Domestic Violence Program | 841,131 |
| Self Help Legal Access Centers | 787,595 |
| Domestic Violence Clinic and Community Legal Service | 724,482 |
| LA County DHS – CBEST | 666,727 |
| Others | 527,783 |
| Medical Legal Partnerships | 489,889 |
| JCOD FCO FY24-27 | 386,276 |
| Services for Trafficking Victims | 326,734 |
| DVSFA Grant | 318,029 |
| Measure H | 288,914 |
| Supportive Services for Veterans Families | 270,750 |
| LA County DOORS | 242,447 |
| Cal DFPI Student Loan | 219,731 |
| Immigration Legal Services Prevention Support Project | 139,883 |
| Equal Access Partnership | 108,099 |
| CDSS – Immigration Services | 105,931 |
| The California Endowment | 93,750 |
| Improving Criminal Justice Responses Program (ICJR) | 88,883 |
| State Bar Self Help Remote Tech Access | 88,503 |
| Cal ATJ LJP | 56,948 |
| CalCRG program | 29,787 |
| Equal Justice Works Crime Victims Advocacy Program | 23,502 |
| | <u>\$70,908,519</u> |

SUPPLEMENTARY INFORMATION

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT (PAI) COMPLIANCE

For the year ended December 31, 2025

Support

| | |
|-----------------------------------|------------|
| Basic grant (\$7,146,969 x 12.5%) | \$ 893,371 |
|-----------------------------------|------------|

| | |
|----------------------|----------------|
| Total support | 893,371 |
|----------------------|----------------|

Expenses

Personnel salaries:

| | |
|-----------|-----------|
| Attorneys | 1,142,930 |
|-----------|-----------|

| | |
|-------------------|---------|
| Employee benefits | 278,406 |
|-------------------|---------|

| | |
|--------------------|---------|
| Clerical and other | 153,005 |
|--------------------|---------|

| | |
|---------------|---------|
| Payroll taxes | 106,730 |
|---------------|---------|

| | |
|------------|--------|
| Paralegals | 97,276 |
|------------|--------|

| | |
|-----------------------|-----------|
| Total personnel costs | 1,778,347 |
|-----------------------|-----------|

| | |
|------------------------------|------------------|
| Total direct expenses | 1,778,347 |
|------------------------------|------------------|

| | |
|---------------------|--------|
| Space and occupancy | 88,540 |
|---------------------|--------|

| | |
|---------------------|--------|
| Service to programs | 26,142 |
|---------------------|--------|

| | |
|-----------|--------|
| Telephone | 37,947 |
|-----------|--------|

| | |
|----------------------------------|--------|
| Equipment rental and maintenance | 31,609 |
|----------------------------------|--------|

| | |
|------------|--------|
| Litigation | 19,664 |
|------------|--------|

| | |
|-----------|--------|
| Insurance | 24,311 |
|-----------|--------|

| | |
|---------|--------|
| Library | 15,122 |
|---------|--------|

| | |
|------------------------------|-------|
| Office supplies and expenses | 5,616 |
|------------------------------|-------|

| | |
|--------------------------------|----------------|
| Total indirect expenses | 248,951 |
|--------------------------------|----------------|

| | |
|-----------------------|------------------|
| Total expenses | 2,027,298 |
|-----------------------|------------------|

| | |
|--|---------------------|
| Net PAI expenses over the requirement threshold | \$ 1,133,927 |
|--|---------------------|

See independent auditors' report.

LEGAL AID FOUNDATION OF LOS ANGELES

SCHEDULE OF REVENUE, SUPPORT, EXPENSES, AND CHANGES IN
NET ASSETS FOR LEGAL SERVICE CORPORATION FUNDS
For the year ended December 31, 2025

| | Basic Field | LSC PBIF | LSC TIG Grant | LSC DREG | LSC LANNA | Property | Total |
|--|-------------------|---------------|---------------|----------------|---------------|---------------|-------------------|
| Revenue and support | | | | | | | |
| Basic grant | \$ 6,266,023 | \$ 82,935 | \$ 59,880 | \$ 112,089 | \$ 33,121 | \$ - | \$ 6,554,048 |
| Attorney fees | 1,181 | | | | | | 1,181 |
| Interest income | 16,221 | | | | | | 16,221 |
| Unrealized gain on investment | 15,323 | | | | | | 15,323 |
| Total revenue and support | <u>6,298,748</u> | <u>82,935</u> | <u>59,880</u> | <u>112,089</u> | <u>33,121</u> | | <u>6,586,773</u> |
| Expenses | | | | | | | |
| Personnel salaries: | | | | | | | |
| Attorneys | 1,694,406 | 28,692 | 17,605 | 70,923 | 22,061 | | 1,833,687 |
| Clerical and other | 1,380,736 | 3,178 | 8,432 | 16,467 | | | 1,408,813 |
| Employee benefits | 862,958 | 11,665 | 5,963 | 16,999 | 5,134 | | 902,719 |
| Paralegals | 617,346 | 13,908 | | | | | 631,254 |
| Payroll taxes | 275,496 | 3,637 | 1,916 | 6,348 | 1,606 | | 289,003 |
| Total personnel costs | <u>4,830,942</u> | <u>61,080</u> | <u>33,916</u> | <u>110,737</u> | <u>28,801</u> | | <u>5,065,476</u> |
| Space and occupancy | 469,078 | 1,679 | | 294 | | | 471,051 |
| Telephone | 351,271 | 438 | | 89 | 552 | | 352,350 |
| Equipment rental and maintenance | 165,963 | 1,036 | | 283 | | | 167,282 |
| Service to program | 54,870 | 143 | | 38 | | | 55,051 |
| Insurance | 97,830 | 916 | | 116 | | | 98,862 |
| Office supplies and expenses | 40,665 | 388 | | 62 | | | 41,115 |
| Library | 72,730 | 811 | | | 1,222 | | 74,763 |
| Training | 25,991 | 5,946 | | 120 | 1,250 | | 33,307 |
| Litigation | 46,005 | | | | | | 46,005 |
| Other | 107,405 | 10,137 | 464 | 258 | 1,296 | | 119,560 |
| Depreciation | | | | | | 23,338 | 23,338 |
| Audit | 18,673 | 290 | | 90 | | | 19,053 |
| Travel | 12,075 | 71 | | 2 | | | 12,148 |
| Total expenses | <u>6,293,498</u> | <u>82,935</u> | <u>34,380</u> | <u>112,089</u> | <u>33,121</u> | <u>23,338</u> | <u>6,579,361</u> |
| Change in net assets | 5,250 | - | 25,500 | - | - | (23,338) | 7,412 |
| Net assets, beginning of year | | | | | | 23,338 | 23,338 |
| Less: acquisition of equipment, net | 5,250 | | 25,500 | | | | 30,750 |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Refundable advances, end of year | <u>\$ 880,946</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 880,946</u> |

* Total LSC Basic Field Grant Earned in 2025 is \$6,266,023 out of the Total LSC Basic Field Grant Award in 2025 of \$7,146,969. There will be a Carryover of \$880,946 in 2026.

See independent auditors' report.

EXHIBIT 7

EXHIBIT 7



John Heath <john.heath@lacity.org>

RE: [Caution: External Sender] - Re: contract meeting?

Barbara Schultz <BSchultz@lafla.org>

Thu, Jun 11, 2026 at 5:03 PM

To: John Heath <john.heath@lacity.org>, Lauren Harper <lharper@lafla.org>, Joanna Esquivel <jesquivel@lafla.org>, Bernetta Reynolds <breyolds@lafla.org>, "Vincent A. Rodriguez" <varodriguez@lafla.org>

Cc: Tiena Hall <tiena.hall@lacity.org>, "anna.ortega@lacity.org" <anna.ortega@lacity.org>, Cathy Castro <cathy.castro@lacity.org>, Gladys Acevedo <gladys.acevedo@lacity.org>, Valerie Flores <valerie.flores@lacity.org>, Mei Mei CHENG <meimei.cheng@lacity.org>, Brent Nichols <brent.nichols@lacity.org>, Strefan Fauble <strefan.fauble@lacity.org>, Stacy Shure <stacy.shure@lacity.org>, Barak Vaughn <barak.vaughn@lacity.org>, Donna Wong <donna.wong@lacity.org>, "M. Donna Uy-Barreta" <maria.donna.uy-barreta@lacity.org>, Michael Custodio <michael.custodio@lacity.org>, Mwita Hayden <mwita.hayden@lacity.org>

Hi again-

I met with our CFO (Vince, who's on this email) today to see if we could come up with a reasonable alternative on the issue of billing for invoices (#1 below).

We are willing to keep that provision as is, IF we can instead bill 15% indirect across the board (LAFLA and subs), without MTDC. MTDC should not be required as this is not federal funding. As LAHD is aware, we spend significant times on invoicing this contract due to the number of subcontractors and their various capacities, and the complexity of the invoicing process (with more requirements in this new contract).

If we agree on that, remove case numbers from regular reporting, and make those other less significant changes, we should be able to have a final contract.

From: Barbara Schultz

Sent: Monday, June 8, 2026 11:44 AM

To: John Heath <john.heath@lacity.org>; Lauren Harper <lharper@lafla.org>; Joanna Esquivel <jesquivel@lafla.org>; Bernetta Reynolds <breyolds@lafla.org>; Vincent A. Rodriguez <varodriguez@lafla.org>

Cc: Tiena Hall <tiena.hall@lacity.org>; anna.ortega@lacity.org; Cathy Castro <cathy.castro@lacity.org>; Gladys Acevedo <gladys.acevedo@lacity.org>; Valerie Flores <valerie.flores@lacity.org>; Mei Mei CHENG <meimei.cheng@lacity.org>; Brent Nichols <brent.nichols@lacity.org>; Strefan Fauble <strefan.fauble@lacity.org>; Stacy Shure <stacy.shure@lacity.org>; Barak Vaughn <barak.vaughn@lacity.org>; Donna Wong <donna.wong@lacity.org>; M. Donna Uy-Barreta <maria.donna.uy-barreta@lacity.org>; Michael Custodio <michael.custodio@lacity.org>; Mwita Hayden <mwita.hayden@lacity.org>

Subject: RE: [Caution: External Sender] - Re: contract meeting?

Hi John- Thanks so much for the quick turnaround. We are definitely getting close. I just have these remaining issues:

Primary contract:

1. Invoices (p. 14, E)- I do not think this is standard as it's not in Exhibit D. It was not in our prior contract, and nor is it in any other contract we have. This contract only increases the amount of documentation we require for invoices and I do not understand how the City thinks we can provide this without compensating LAFLA and our subs for this arduous process.
2. Data vs audit (p. 9). We are willing to provide case numbers as part of an audit. We do not think we should provide this confidential information (due to record sealing) as part of regular data reporting. Can we put that under audits?

Exhibit C

1. Can we move the sentence you added to the over 5% section? b/c if we have to give you notice of every single increase under 5%, it will be difficult because of our rolling anniversary dates. I suggest this:

The City and the Contractor mutually agree that compensation for Contractor's staff (including Subcontractors) shall be subject to salary increases commensurate with Collective Bargaining Agreements (CBA), COLA adjustments and/or increased expertise and/or responsibilities. If the Contractor (or Subcontractor) increase any individual salary more than 5% annually within the same job category, they shall notify the City of the reason(s) for the increase. All such increases must be disclosed to the City in writing at least 30 days before they take effect. This does not apply to universal CBA changes.

Exhibit D (which is marked Exhibit A).

1. PSC-30- we bid as a coalition with subs included. So should we be exempted from this, and the section removed?

Thank you, and happy to meet again if it will resolve these few remaining issues.

From: John Heath <john.heath@lacity.org>

Sent: Friday, June 5, 2026 4:51 PM

To: Barbara Schultz <BSchultz@lafla.org>; Lauren Harper <lharper@lafla.org>; Joanna Esquivel <jesquivel@lafla.org>; Bernetta Reynolds <breyolds@lafla.org>; Vincent A. Rodriguez <varodriguez@lafla.org>

Cc: Tiena Hall <tiena.hall@lacity.org>; anna.ortega@lacity.org; Cathy Castro <cathy.castro@lacity.org>; Gladys Acevedo <gladys.acevedo@lacity.org>; Valerie Flores <valerie.flores@lacity.org>; Mei Mei CHENG <meimei.cheng@lacity.org>; Brent Nichols <brent.nichols@lacity.org>; Strefan Fauble <strefan.fauble@lacity.org>; Stacy Shure <stacy.shure@lacity.org>; Barak Vaughn <barak.vaughn@lacity.org>; Donna Wong <donna.wong@lacity.org>; M. Donna Uy-Barreta <maria.donna.uy-barreta@lacity.org>; Michael Custodio <michael.custodio@lacity.org>; Mwita Hayden <mwita.hayden@lacity.org>

Subject: Re: [Caution: External Sender] - Re: contract meeting?

Barbara et al:

Please see the attached revisions to the draft agreement circulated last Tuesday afternoon, and let us know if you have any further comments or questions. I think all the issues we discussed on Tuesday are addressed with the exception of the requirement for the Contractor to cover the cost of invoice preparation (my understanding is that this is standard with all City contracts). We also attach the most recent version of the City's standard contract provisions along with Exhibit C (including the 15 month budget) and Exhibit E updated per our discussion. As our client is also reviewing this draft of the agreement there may be some additional changes from the City's side.

Thank you and we look forward to getting this finalized and executed ASAP next week. Have a great weekend.

John W. Heath

Chief Assistant City Attorney - Real Estate Branch
LA City Attorney's Office

200 N. Main Street, 7th Floor

Los Angeles, CA 90012
(213) 978-8209 office

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On Tue, Jun 2, 2026 at 4:41 PM Barbara Schultz <BSchultz@lafla.org> wrote:

Hi John-

Please see attached:

1. the fully track changes version of what we looked at today (5.29.26).
2. I then made a clean version by accepting all the changes from the document you sent me, and then putting in the changes LAFLA made. (6.2.26)
3. Ex C track changes.

If you have any questions please feel free to call or email. We look forward to your response.

From: John Heath <john.heath@lacity.org>

Sent: Monday, June 1, 2026 5:51 PM

To: Barbara Schultz <BSchultz@lafla.org>

Cc: Lauren Harper <lharper@lafla.org>; Joanna Esquivel <jesquivel@lafla.org>; Vincent A. Rodriguez <varodriguez@lafla.org>; Bernetta Reynolds <breynolds@lafla.org>; Tiena Hall <tiena.hall@lacity.org>; anna.ortega@lacity.org; Cathy Castro <cathy.castro@lacity.org>; Gladys Acevedo <gladys.acevedo@lacity.org>; Valerie Flores <valerie.flores@lacity.org>; Mei Mei CHENG <meimei.cheng@lacity.org>; Brent Nichols <brent.nichols@lacity.org>; Strefan Fauble <strefan.fauble@lacity.org>; Stacy Shure <stacy.shure@lacity.org>; Barak Vaughn <barak.vaughn@lacity.org>; Donna Wong <donna.wong@lacity.org>; M. Donna Uy-Barreta <maria.donna.uy-barreta@lacity.org>; Michael Custodio <michael.custodio@lacity.org>; Mwita Hayden <mwita.hayden@lacity.org>

Subject: Re: [Caution: External Sender] - Re: contract meeting?

Tomorrow at noon works for us - I will circulate a meeting link. Thank you all.

John W. Heath

Chief Assistant City Attorney - Real Estate Branch
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(213) 978-8725 cell



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On Mon, Jun 1, 2026 at 9:40 AM Barbara Schultz <BSchultz@lafla.org> wrote: