



**Harrington Group**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington  
Emeritus

Job M. Quesada  
Sean E. Cain  
Tonetta L. Conner

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

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**CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULES,  
and  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Western Center on Law and Poverty, Inc.  
and The WCLP Endowment Foundation

We have audited the accompanying Consolidated Statement of Financial Position of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation (nonprofit organizations) as of December 31, 2011, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's December 31, 2010 consolidated financial statements and, in our report dated March 29, 2011, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Western Center on Law and Poverty, Inc.'s and The WCLP Endowment Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2012 on our consideration of Western Center on Law and Poverty, Inc.'s and The WCLP Endowment Foundation's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation taken as a whole. The accompanying Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements taken as a whole.

*Harrington Group*

Pasadena, California  
April 18, 2012

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

With comparative totals at December 31, 2010

	Unrestricted	Unrestricted Board Designated	Unrestricted Total	Temporarily Restricted	2011	2010
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 5,759	\$ 673	\$ 6,432	\$ 472,219	\$ 478,651	\$ 567,977
Grants and accounts receivable (Note 2)	343		343	516,195	516,538	522,980
Pledges receivable (Note 3)	28,946		28,946		28,946	44,275
Prepaid expenses and other assets	64,781		64,781		64,781	56,312
Investments (Note 4)	778,068	2,923,529	3,701,597	122,910	3,824,507	4,157,061
Property and equipment (Note 5)	120,348		120,348		120,348	151,974
<b>Total assets</b>	<b>\$ 998,245</b>	<b>\$ 2,924,202</b>	<b>\$ 3,922,447</b>	<b>\$ 1,111,324</b>	<b>\$ 5,033,771</b>	<b>\$ 5,500,579</b>
<b>Liabilities and net assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ 27,366	\$ -	\$ 27,366	\$ -	\$ 27,366	\$ 30,340
Accrued liabilities (Note 6)	200,074		200,074		200,074	196,932
Capital lease obligation			-		-	8,903
<b>Total liabilities</b>	<b>227,440</b>	<b>-</b>	<b>227,440</b>	<b>-</b>	<b>227,440</b>	<b>236,175</b>
<b>Net assets</b>						
Unrestricted	770,805		770,805		770,805	1,546,482
Unrestricted - Board designated (Note 2 and 9)		2,924,202	2,924,202		2,924,202	3,007,481
Temporarily restricted (Note 8)			-	1,111,324	1,111,324	710,441
<b>Total net assets</b>	<b>770,805</b>	<b>2,924,202</b>	<b>3,695,007</b>	<b>1,111,324</b>	<b>4,806,331</b>	<b>5,264,404</b>
<b>Total liabilities and net assets</b>	<b>\$ 998,245</b>	<b>\$ 2,924,202</b>	<b>\$ 3,922,447</b>	<b>\$ 1,111,324</b>	<b>\$ 5,033,771</b>	<b>\$ 5,500,579</b>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended December 31, 2011  
With comparative totals for the year ended December 31, 2010

	Unrestricted	Unrestricted Board Designated	Unrestricted Total	Temporarily Restricted	2011	2010
<b>Revenue and support</b>						
Grants	\$ 90,001	\$ -	\$ 90,001	\$ 1,268,266	\$ 1,358,267	\$ 661,094
Contributions	597,540		597,540		597,540	603,058
Court awarded fees and costs	434,604		434,604		434,604	725,870
Special events, net of direct benefits of \$43,685	104,279		104,279		104,279	65,508
Cy-près	77,098		77,098		77,098	49,971
Publications	36,351		36,351		36,351	19,685
Other income	17,428		17,428		17,428	21,430
Local program contracts			-		-	156,387
Investment income/(loss), net	18,333	(83,279)	(64,946)	(1,109)	(66,055)	438,051
Net assets released from program restrictions	549,990		549,990	(549,990)	-	-
Net assets released from time restrictions	316,284		316,284	(316,284)	-	-
<b>Total revenue and support</b>	<u>2,241,908</u>	<u>(83,279)</u>	<u>2,158,629</u>	<u>400,883</u>	<u>2,559,512</u>	<u>2,741,054</u>
<b>Expenses</b>						
Program services	2,120,057		2,120,057		2,120,057	2,128,398
Management and general	529,179		529,179		529,179	520,346
Fundraising	368,349		368,349		368,349	358,750
<b>Total expenses</b>	<u>3,017,585</u>	<u>-</u>	<u>3,017,585</u>	<u>-</u>	<u>3,017,585</u>	<u>3,007,494</u>
<b>Change in net assets</b>	(775,677)	(83,279)	(858,956)	400,883	(458,073)	(266,440)
<b>Net assets, beginning of year</b>	<u>1,546,482</u>	<u>3,007,481</u>	<u>4,553,963</u>	<u>710,441</u>	<u>5,264,404</u>	<u>5,530,844</u>
<b>Net assets, end of year</b>	<u>\$ 770,805</u>	<u>\$ 2,924,202</u>	<u>\$ 3,695,007</u>	<u>\$ 1,111,324</u>	<u>\$ 4,806,331</u>	<u>\$ 5,264,404</u>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	Program	Management		Total Expenses	
	Services	and General		Fundraising	2011
Salaries	\$ 1,410,642	\$ 259,677	\$ 255,245	\$ 1,925,564	\$ 1,827,244
Payroll taxes	106,244	19,558	19,224	145,026	139,664
Employee benefits	133,594	34,529	24,173	192,296	245,533
Total personnel costs	1,650,480	313,764	298,642	2,262,886	2,212,441
Occupancy	204,303	33,479	17,432	255,214	232,885
Accounting		111,504		111,504	109,500
Travel	45,058	10,828	1,665	57,551	56,260
Telephone	41,611	7,660	7,529	56,800	50,292
Library	36,263	4,347		40,610	43,873
Office expenses	16,644	18,936	3,219	38,799	29,161
Depreciation	23,169	4,265	4,192	31,626	36,199
Annual events			29,527	29,527	25,183
Technology	16,325	3,005	2,954	22,284	50,819
Contract expenses	20,057	469	652	21,178	89,467
Insurance	9,675	10,070		19,745	13,295
Printing and publications	11,046	7,818		18,864	9,302
Litigation and advocacy	15,078			15,078	9,922
Professional fees	14,369			14,369	15,579
Postage and shipping	10,497	1,932	1,899	14,328	11,462
Staff development	3,526	649	638	4,813	4,267
Conferences and meetings	1,956			1,956	6,207
Interest		453		453	1,380
<b>Total 2011 functional expenses</b>	<b>\$ 2,120,057</b>	<b>\$ 529,179</b>	<b>\$ 368,349</b>	<b>\$ 3,017,585</b>	
Total 2010 functional expenses	\$ 2,128,398	\$ 520,346	\$ 358,750		\$ 3,007,494

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	2011	2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (458,073)	\$ (266,440)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	31,626	36,199
Loss (gain) on investments, net	164,658	(324,923)
Donated stocks	(10,330)	-
Reinvested interest and dividends	(121,774)	(77,319)
Changes in operating assets and liabilities		
Decrease (increase) in grants and accounts receivable	6,442	(321,606)
Decrease in court awarded fees receivable	-	24,800
Decrease (increase) in pledges receivable	15,329	(1,324)
(Increase) in prepaid expenses and other assets	(8,469)	(25,493)
(Decrease) in accounts payable	(2,974)	(1,971)
Increase (decrease) in accrued liabilities	3,142	(6,525)
<b>Net cash (used) by operating activities</b>	<b>(380,423)</b>	<b>(964,602)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	300,000	435,942
Purchases of investments	-	(1,596,698)
<b>Net cash provided (used) by investing activities</b>	<b>300,000</b>	<b>(1,160,756)</b>
<b>Cash flows from financing activities:</b>		
Payments on capital lease obligation	(8,903)	(8,439)
<b>Net cash (used) by financing activities</b>	<b>(8,903)</b>	<b>(8,439)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(89,326)</b>	<b>(2,133,797)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>567,977</b>	<b>2,701,774</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 478,651</b>	<b>\$ 567,977</b>
<b>Supplemental information:</b>		
Cash paid during the year for interest	\$ 453	\$ 1,380

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

# WESTERN CENTER ON LAW AND POVERTY, INC. AND THE WCLP ENDOWMENT FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Organization

#### *Mission:*

Western Center on Law and Poverty, Inc. ("WCLP, Inc.") leads the fight in the courts, counties and capital to secure housing, health care and a strong safety net for low-income Californians. The WCLP Endowment Foundation ("the Foundation") was formed as a supporting organization to WCLP, Inc. Due to common control of these organizations and an economic interest, consolidated financial statements are prepared for both WCLP, Inc. and the Foundation, collectively referred to as "the Center".

#### *History:*

The Center was created in 1967, when a passionate group of attorneys and legal scholars from the law schools at Loyola, UCLA and USC acted on their shared vision that low-income Californians deserved the finest possible legal representation before every institution that shaped their lives. The Center has been true to that vision for over four decades, bringing and winning major impact litigation, supporting legal aid organizations throughout the state and aggressively advocating nationally, in Sacramento and locally for laws, policies and programs that guarantee system-wide change for its clients.

#### *Programs:*

Working collaboratively with nearly 100 legal services organizations serving every county in California, the Center takes the lead on advocacy designed to make large scale improvements in the lives of 7.7 million poor Californians. The Center employs forceful, creative strategies integrating pivotal impact litigation; legislative and administrative advocacy; technical support; community education and coalition-building to fulfill its mission. Western Center advocates have secured billions of dollars in benefits for its clients, protected and expanded affordable housing throughout the state; prevented homelessness for countless families, expanded food and nutrition programs for hundreds of thousands of households; guaranteed healthcare services for millions; and defended safety-net public benefits programs supporting children, women and men throughout California.

Health Advocacy: The Center works on behalf of low-income Californians to: (1) expand and preserve eligibility for health coverage (2) expand and preserve the types and amounts of health care services available; (3) improve the quality of health care services available; (4) improve access to health care services while maintaining choice in accessing care; (5) promote structural reform of the health care system; (6) diminish the burden of medical debt; (7) mitigate efforts to implement laws which harm consumers; (8) inform, shape and create context for the health care advocacy landscape; (9) protect the rights of health care consumers in the public and private spheres; and (10) diversify and expand funding available for health care work.

Housing Advocacy: The Center advances and enforces the rights to safe, decent and affordable housing for low-income Californians. We work to: (1) increase the production of affordable housing; (2) preserve the existence, affordability and condition of the current affordable housing stock; and (3) protect the housing rights of low-income people.



**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Organization, continued**

Public Assistance Advocacy: The Center works on behalf of low-income Californians to: (1) preserve and expand the public assistance programs and services that provide a safety net to low-income families, individuals, children, persons with disabilities and senior citizens; (2) educate the legal service community and the public at large about issues related to public assistance; and (3) ensure that the voice of poor people is heard in the policy debates that affect their lives.

Access to Justice: The Center works to expand access to justice by low-income Californians by (1) enforcing court rules and fee waivers designed to ensure that low-income litigants have meaningful access to our courts; (2) serving as a clearinghouse for California's legal advocates on access to justice issues; and (3) actively participating in coordinated efforts to enhance, improve and streamline California's legal services delivery system.

**2. Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of WCLP, Inc. and the Foundation, collectively referred to as "the Center." All intercompany transactions and balances have been eliminated upon consolidation.

**Accounting**

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

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Accounting, continued**

**Unrestricted – Board Designated.** These are comprised of resources that the Board of Directors has established as being designated for future program operations. The amount reflects the net assets of the Center, which include Board designated endowed funds. For purposes of complying with net assets accounting, these assets are included in unrestricted net assets at December 31, 2011. The Center has Board designated net assets of \$2,924,202 at December 31, 2011.

**Temporarily Restricted.** The Center reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from program or capital restrictions. The Center has temporarily restricted net assets of \$1,111,324 at December 31, 2011.

**Cash and Cash Equivalents**

The Center has defined cash and cash equivalents as cash in banks and money market accounts at securities institutions. The carrying value at December 31, 2011 approximates fair value.

The Center maintains a separate cash account for its clients. These are funds awarded by the court for WCLP, Inc. clients and are maintained in these accounts until distribution.

**Investments**

The Center values its investments at fair value. Realized and unrealized gains or losses (including investments bought, sold, and held during the period) are reflected in the Consolidated Statement of Activities as investment income, net.

**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

The Center is required to measure its investments at fair value. The specified technique used to measure fair value for the element is described in the note below that relate to the element.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Grants and Accounts Receivable, Court Fees Receivable, and Pledges Receivable**

The Center receives substantial grant revenue from private foundations, as well as support individuals, corporations, and trusts. Unconditional contributions and pledges are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the contribution.

Court awarded fees and cy-pres are recognized as revenue upon the court's final approval of the settlement.

At December 31, 2011, management assessed the collectability of grants and accounts receivable, pledges receivable, and court fees receivable, concluding that no allowance was considered necessary.

**Concentration of Credit Risks**

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

The Center holds investments in the form of equities, bond funds, equity funds, mutual funds, and a private placement limited partnership. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Investment Committee.

**Property and Equipment**

Property and equipment are recorded at cost 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. Estimated useful lives of equipment and the law library are 3-7 years, and 10 years, respectively. The law library was donated to the Center in 1975 and recorded at fair value.

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.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Income Taxes**

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

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Center's returns are subject to examination by federal taxing authorities, generally for three years, respectively, after they are filed.

**Functional Allocation of Expenses**

Costs of providing the Center's programs and other activities have been presented in the Consolidated 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. The Center uses the percentage of staff time to allocate indirect costs.

**Use of Estimates**

The preparation of consolidated 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 consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail 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 the Center's consolidated financial statements for the year ended December 31, 2010, from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through April 18, 2012, the date which the consolidated financial statements were available.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**3. Pledges Receivable**

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deems the pledges receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been established. Pledges receivable at December 31, 2011 consists of \$28,946. The amount of pledges receivable at December 31, 2011 is expected to be collected within one year.

**4. Investments**

Significant information about investments at December 31, 2011 is summarized as follows:

Beginning balance, January 1, 2011	\$4,157,061
Donated stocks	10,330
Transfer to operating account	(300,000)
Unrealized loss	(141,320)
Less: fees	(23,338)
Interest and dividends reinvested	<u>121,774</u>
Ending balance, December 31, 2011	<u>\$3,824,507</u>

Composition of investments at December 31, 2011 is as follows:

Equity funds	\$1,894,558
Bond funds	1,536,147
Investment in private placement limited partnership	383,641
Equities	<u>10,161</u>
Total	<u>\$3,824,507</u>

**5. Property and Equipment**

Property and equipment at December 31, 2011 consists of the following:

Law library	\$ 240,330
Computer equipment	122,205
Less: accumulated depreciation	<u>(242,187)</u>
	<u>\$ 120,348</u>

Depreciation expense for the year ended December 31, 2011 was \$31,626.

**6. Accrued Liabilities**

Accrued liabilities at December 31, 2011 consist of accrued vacation and compensatory time in the amount of \$200,074.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**7. Commitments and Contingencies**

**Obligations Under Operating Leases**

The Center leases offices under operating leases expiring in 2014 and 2016. Future minimum payments under these leases, with an initial or remaining term of one year or more, are as follows:

<u>Year Ended December 31,</u>	
2012	\$195,353
2013	196,842
2014	63,426
2015	52,399
2016	<u>49,145</u>
	<u>\$557,165</u>

Rental expense under operating leases was \$198,971 for the year ended December 31, 2011, and is included in occupancy expense in the Consolidated Statement of Functional Expenses. Rental income from month-to-month subleases for the year ended December 31, 2011 was \$17,168.

**Contracts and Grants**

The Center's grants and contracts are subject to inspection and audit by the appropriate state and county 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 audits cannot be reasonably estimated and, accordingly, the Center has no provisions for the possible disallowance of program costs on its consolidated financial statements.

**Disputes**

The Center is a party to an employment claim, and management intends to defend the agency vigorously in this matter. It is not possible at this time to predict the probable outcome or the extent of the Center's liability, if any.

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2011 consist of the following:

Housing	\$ 110,096
Health	600,435
Time restricted	205,123
Max Gillam Fellowship	186,920
Welfare	<u>8,750</u>
	<u>\$1,111,324</u>

Temporarily restricted net assets released for the year ended December 31, 2011 were \$867,383, consisting of \$551,099 released from program restrictions and \$316,284 released from time restrictions.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Board-Designated Endowment**

The Center's endowment consists of funds established for a variety of purposes. As a Board-Designated Endowment, these assets are included as a component of unrestricted net assets. Significant information about the Board-designated endowment as of December 31, 2011 is as follows:

Board-Designated Endowment Net Asset Composition by Type of Fund:

	<u>Total</u>
Board-Designated	<u>\$2,924,202</u>

Changes in Board-Designated Endowment Net Assets:

	<u>Unrestricted</u>
Beginning of year, January 1, 2011	\$3,007,481
Interest and dividends	100,961
Unrealized losses	(168,509)
Less: investment fees	<u>(15,731)</u>
End of year, December 31, 2011	<u>\$2,924,202</u>

**10. Fair Market Value**

The table below presents the balances of assets or liabilities measured at fair value at December 31, 2011 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	\$1,894,558	\$ -	\$ -	\$1,894,558
Bond funds	1,536,147			1,536,147
Equities	10,161			10,161
Investment in private placement limited partnership			<u>383,641</u>	<u>383,641</u>
Fair value at December 31, 2011	<u>\$3,440,866</u>	<u>\$ -</u>	<u>\$383,641</u>	<u>\$3,824,507</u>

The fair value of marketable securities within the Level 1 inputs are based on quoted market prices as of the closing of the last business day of the fiscal year.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**10. Fair Market Value, continued**

Significant information about investments within the Level 3 inputs is summarized below:

Beginning balance, January 1, 2011	\$393,572
Net (loss) on investments	<u>(9,931)</u>
Ending balance, December 31, 2011	<u>\$383,641</u>

The fair value of the investment in private placement limited partnership within the Level 3 inputs is based on quoted prices per unit of investment as provided by the Center's investment institution as of the closing of the last business day of the fiscal year.

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Contributed securities	<u>\$10,330</u>	\$ -	<u>\$10,330</u>
Fair value at December 31, 2011	<u>\$10,330</u>	<u>\$ -</u>	<u>\$10,330</u>

The fair value of contributed securities has been measured on a non-recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

**11. Employee Benefit Plan**

The Center sponsors a 403(b) tax shelter annuity ("TSA") plan for the benefit of its employees, all of whom are eligible to participate after meeting minimum eligibility requirements. The Center has elected to make bi-weekly discretionary contributions to the TSA plan on behalf of participating employees, as well as a dollar for dollar matching contribution up to \$1,000 of a participating employee's salary deferral. For the year ended December 31, 2011, the Center's contributions to the plan were \$95,758.



**SUPPLEMENTAL SCHEDULES**

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**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2011

With comparative totals at December 31, 2010

	<u>WCLP</u>	<u>The WCLP Endowment Foundation</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 477,978	\$ 673	\$ 478,651	\$ 567,977
Grants and accounts receivable (Note 2)	516,538		516,538	522,980
Pledges receivable (Note 3)	28,946		28,946	44,275
Prepaid expenses and other assets	64,781		64,781	56,312
Investments (Note 4)	900,978	2,923,529	3,824,507	4,157,061
Property and equipment (Note 5)	120,348		120,348	151,974
<b>Total assets</b>	<u>\$ 2,109,569</u>	<u>\$ 2,924,202</u>	<u>\$ 5,033,771</u>	<u>\$ 5,500,579</u>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 27,366	\$ -	\$ 27,366	\$ 30,340
Accrued liabilities (Note 6)	200,074		200,074	196,932
Capital lease obligation			-	8,903
<b>Total liabilities</b>	<u>227,440</u>	<u>-</u>	<u>227,440</u>	<u>236,175</u>
<b>Net assets</b>				
Unrestricted	770,805		770,805	1,546,482
Unrestricted - Board designated (Note 2 and 9)		2,924,202	2,924,202	3,007,481
Temporarily restricted (Note 8)	1,111,324		1,111,324	710,441
<b>Total net assets</b>	<u>1,882,129</u>	<u>2,924,202</u>	<u>4,806,331</u>	<u>5,264,404</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,109,569</u>	<u>\$ 2,924,202</u>	<u>\$ 5,033,771</u>	<u>\$ 5,500,579</u>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	<u>WCLP</u>	<u>The WCLP Endowment Foundation</u>	<u>2011</u>	<u>2010</u>
<b>Revenue and support</b>				
Grants	\$ 1,358,267	\$ -	\$ 1,358,267	\$ 661,094
Contributions	597,540		597,540	603,058
Court awarded fees and costs	434,604		434,604	725,870
Special events, net of direct benefits of \$43,685	104,279		104,279	65,508
Cy-près	77,098		77,098	49,971
Publications	36,351		36,351	19,685
Other income	17,428		17,428	21,430
Local program contracts			-	156,387
Investment (loss) income, net (Note 4)	17,224	(83,279)	(66,055)	438,051
<b>Total revenue and support</b>	<u>2,642,791</u>	<u>(83,279)</u>	<u>2,559,512</u>	<u>2,741,054</u>
<b>Expenses</b>				
Program services	2,120,057		2,120,057	2,128,398
Management and general	529,179		529,179	520,346
Fundraising	368,349		368,349	358,750
<b>Total expenses</b>	<u>3,017,585</u>	<u>-</u>	<u>3,017,585</u>	<u>3,007,494</u>
<b>Change in net assets</b>	(374,794)	(83,279)	(458,073)	(266,440)
<b>Net assets, beginning of year</b>	<u>2,256,923</u>	<u>3,007,481</u>	<u>5,264,404</u>	<u>5,530,844</u>
<b>Net assets, end of year</b>	<u>\$ 1,882,129</u>	<u>\$ 2,924,202</u>	<u>\$ 4,806,331</u>	<u>\$ 5,264,404</u>

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