

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

**CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation (nonprofit organizations), which comprise the Consolidated Statement of Financial Position as of December 31, 2021, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation as of December 31, 2021, and the changes in their net assets and their 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Report on Summarized Comparative Information

We have previously audited Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's December 31, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 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 consolidated 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 June 28, 2022, on our consideration of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
June 28, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS						
Cash	\$ 260,835	\$ 810	\$ 261,645	\$ 754,025	\$ 1,015,670	\$ 1,287,998
Grants and accounts receivable	140,444		140,444	2,129,910	2,270,354	1,712,852
Pledges receivable (Note 4)	35,194		35,194		35,194	31,594
Prepaid expenses and other assets	133,094		133,094		133,094	130,819
Investments (Note 5)	427,217	4,847,967	5,275,184		5,275,184	4,803,664
Property and equipment (Note 6)			-		-	-
TOTAL ASSETS	\$ 996,784	\$ 4,848,777	\$ 5,845,561	\$ 2,883,935	\$ 8,729,496	\$ 7,966,927
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 63,117	\$ -	\$ 63,117	\$ -	\$ 63,117	\$ 63,378
Accrued liabilities (Note 7)	304,964		304,964		304,964	252,806
Paycheck protection program loan (Note 8)					-	668,750
TOTAL LIABILITIES	368,081	-	368,081	-	368,081	984,934
NET ASSETS						
Without donor restrictions	628,703		628,703		628,703	449,870
Without donor restrictions - board designated (Notes 2 and 11)		4,848,777	4,848,777		4,848,777	4,401,171
With donor restrictions (Notes 2 and 10)			-	2,883,935	2,883,935	2,130,952
TOTAL NET ASSETS	628,703	4,848,777	5,477,480	2,883,935	8,361,415	6,981,993
TOTAL LIABILITIES AND NET ASSETS	\$ 996,784	\$ 4,848,777	\$ 5,845,561	\$ 2,883,935	\$ 8,729,496	\$ 7,966,927

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, 2021
With comparative totals for the year ended December 31, 2020

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT						
Grants	\$ 130,001	\$ -	\$ 130,001	\$ 2,903,881	\$ 3,033,882	\$ 2,426,731
Court awarded fees and costs	810,715		810,715		810,715	656,436
Investment income, net	23,939	627,674	651,613		651,613	625,593
Special events, net of costs of \$80,013	490,728		490,728		490,728	420,761
Contributions	429,842		429,842		429,842	508,065
Contract revenue	161,472		161,472		161,472	161,388
Cy-près awards	45,000		45,000		45,000	-
Publications, net	-		-		-	3,812
Other income	-		-		-	4,455
Net assets released from purpose restrictions	2,150,898		2,150,898	(2,150,898)	-	-
Net assets released from board designation	180,000	(180,000)	-		-	-
TOTAL REVENUE AND SUPPORT	4,422,595	447,674	4,870,269	752,983	5,623,252	4,807,241
EXPENSES						
Program services	3,880,936		3,880,936		3,880,936	3,469,807
Management and general	540,317	68	540,385		540,385	444,848
Fundraising	491,259		491,259		491,259	533,815
TOTAL EXPENSES	4,912,512	68	4,912,580	-	4,912,580	4,448,470
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(489,917)	447,606	(42,311)	752,983	710,672	358,771
OTHER CHANGES						
Forgiveness of paycheck protection program loan (Note 8)	668,750		668,750		668,750	-
CHANGE IN NET ASSETS	178,833	447,606	626,439	752,983	1,379,422	358,771
NET ASSETS, BEGINNING OF YEAR	449,870	4,401,171	4,851,041	2,130,952	6,981,993	6,623,222
NET ASSETS, END OF YEAR	\$ 628,703	\$ 4,848,777	\$ 5,477,480	\$ 2,883,935	\$ 8,361,415	\$ 6,981,993

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, 2021

With comparative totals for the year ended December 31, 2020

	Program Services			Total Program Services
	Health	Housing	Public Benefits/ Economic Justice	
Salaries	\$ 804,110	\$ 835,426	\$ 826,302	\$ 2,465,838
Payroll taxes	59,468	61,784	61,109	182,361
Employee benefits	115,927	120,442	119,127	355,496
Total personnel costs	<u>979,505</u>	<u>1,017,652</u>	<u>1,006,538</u>	<u>3,003,695</u>
Occupancy	90,116	93,626	92,604	276,346
Contract expenses	75,501	78,441	77,585	231,527
Library and online research	24,510	25,465	25,186	75,161
Office expenses	24,251	25,196	24,920	74,367
Telephone	17,360	18,036	17,839	53,235
Dues and subscriptions	13,898	14,440	14,282	42,620
Insurance	11,556	12,006	11,875	35,437
Technology	10,527	10,936	10,817	32,280
Accounting	7,761	8,063	7,975	23,799
Printing and publications	4,323	4,491	4,442	13,256
Conferences and meetings	2,307	2,397	2,371	7,075
Travel	1,343	1,395	1,380	4,118
Staff development	1,135	1,179	1,166	3,480
Litigation and advocacy	1,090	1,133	1,121	3,344
Postage and shipping	390	405	401	1,196
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 1,265,573</u>	<u>\$ 1,314,861</u>	<u>\$ 1,300,502</u>	<u>\$ 3,880,936</u>
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 1,131,503</u>	<u>\$ 1,175,571</u>	<u>\$ 1,162,733</u>	<u>\$ 3,469,807</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, 2021

With comparative totals for the year ended December 31, 2020

continued

	Total			Total Expenses	
	Program Services	Management and General	Fundraising	2021	2020
Salaries	\$ 2,465,838	\$ 343,345	\$ 312,131	\$ 3,121,314	\$ 2,862,217
Payroll taxes	182,360	25,392	23,084	230,836	213,597
Employee benefits	355,496	49,499	45,000	449,995	383,978
Total personnel costs	<u>3,003,694</u>	<u>418,236</u>	<u>380,215</u>	<u>3,802,145</u>	<u>3,459,792</u>
Occupancy	276,346	38,479	34,981	349,806	347,778
Contract expenses	231,527	32,238	29,307	293,072	200,351
Library and online research	75,161	10,466	9,514	95,141	70,462
Office expenses	74,367	10,355	9,414	94,136	81,525
Telephone	53,235	7,413	6,739	67,387	63,644
Dues and subscriptions	42,620	5,934	5,395	53,949	44,300
Insurance	35,438	4,934	4,486	44,858	44,894
Technology	32,280	4,495	4,086	40,861	33,325
Accounting	23,798	3,314	3,012	30,124	29,223
Printing and publications	13,257	1,846	1,678	16,781	7,678
Conferences and meetings	7,076	985	896	8,957	11,951
Travel	4,117	573	521	5,211	30,640
Staff development	3,480	485	441	4,406	15,857
Litigation and advocacy	3,344	466	423	4,233	4,718
Postage and shipping	1,196	166	151	1,513	2,332
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 3,880,936</u>	<u>\$ 540,385</u>	<u>\$ 491,259</u>	<u>\$ 4,912,580</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 3,469,807</u>	<u>\$ 444,848</u>	<u>\$ 533,815</u>		<u>\$ 4,448,470</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 CASH FLOWS

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	2021	2020
CASH FLOWS (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ 1,379,422	\$ 358,771
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
(Gain) on investments, net	(561,491)	(537,436)
Reinvested interest and dividends	(90,028)	(84,231)
Forgiveness of paycheck protection program loan	(668,750)	-
Donated securities	(10,146)	-
(Increase) decrease in operating assets:		
Grants and accounts receivable	(557,502)	(178,027)
Pledges receivable	(3,600)	64,731
Prepaid expenses and other assets	(2,275)	(14,323)
Increase (decrease) in operating liabilities:		
Accounts payable	(261)	840
Accrued liabilities	52,158	(851,508)
NET CASH (USED) BY OPERATING ACTIVITIES	(462,473)	(1,241,183)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(232,436)
Proceeds from sale of investments	190,145	460,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	190,145	227,564
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	-	668,750
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	668,750
NET (DECREASE) IN CASH	(272,328)	(344,869)
CASH, BEGINNING OF YEAR	1,287,998	1,632,867
CASH, END OF YEAR	\$ 1,015,670	\$ 1,287,998

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

1. **Organization**

Mission

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

History

WCLP was founded in 1967 during the War on Poverty by a passionate group of attorneys and legal scholars from California law schools who sought to create a unique organization, guided by the belief that all Californians deserve the finest possible legal representation before the institutions that shape their lives. WCLP’s founders recognized that, while frontline legal aid programs were invaluable to individuals, there was a need for statewide coordinated strategies to win expansive victories for thousands, and in some cases millions, of Californians at a time.

Programs

Today, working for and with poor communities and communities of color, WCLP’s approach has evolved into a multi-issue model that artfully combines impact litigation, policy and administrative advocacy, and technical assistance and education for nearly 100 California legal aid programs as well as community-based organizations. WCLP’s client communities include immigrants, persons with disabilities, people experiencing homelessness, and low-income working families. By applying a coordinated concert of tools, WCLP ensures that low-income Californians receive the support they are entitled to, and fights for their economic security and dignity. In all of its work, WCLP actively seeks to eliminate racial disparities and achieve racial justice in California.

Housing and Homelessness: WCLP ensures that residents have access to healthy, sustainable, and affordable housing in neighborhoods of their choosing, and we advocate for strong, clear, and enforceable anti-displacement protections. All of WCLP’s work seeks to address California’s housing crisis and its disproportionate effects on the most vulnerable Californians and unhoused individuals by: (1) protecting tenants from eviction and landlord abuse and ensuring access to housing; (2) preserving the existing housing stock; and (3) promoting equitable planning and development.

Public Benefits & Economic Dignity: WCLP works to make our state a more equitable place to live by providing a roadmap to financial security and economic justice for families and individuals who need it most by: (1) expanding access to jobs, take-home income, and opportunity for Californians experiencing poverty; (2) ensuring state and local governments adequately implement mandated public benefits; (3) reducing the criminalization of poverty and racial bias in anti-poverty programs, public institutions, work environments, and child support systems; (4) fighting to end the high costs of poverty by reducing or eliminating high fees, fines and costs associated with the criminal justice system, traffic courts, parking tickets and towing of cars; and (5) ending predatory financial services and laws that allow debt-collector-take-all practices.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization**, continued

Health Care: WCLP believes health care is a human right. Many Californians still do not have care, and even more are paying too much for the care they have. WCLP works to preserve and expand access to health care for all Californians regardless of immigration, age, or health status and help them avoid the health-poverty trap by: (1) advocating for improvements to health programs that serve low-income Californians; (2) expanding Medi-Cal to cover all Californians who need it; (3) ensuring that Medi-Cal plans and providers deliver equitable, quality care; and (4) fighting medical debt by demanding the hospitals and medical providers abide by charity care laws and other consumer protections.

Access to Justice: WCLP believes that the right to be heard in the courts, administrative hearings, and in Sacramento is the entitlement of every Californian. WCLP works to: (1) enforce due process and language access rights to guarantee every poor person their “day in court”; (2) ensure adequate funding for legal services programs and that they will be fairly paid for their work by assisting local programs secure attorneys’ fees; and (3) increase access to civil legal representation.

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 and the Foundation. All intercompany transactions and balances have been eliminated upon consolidation.

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. 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

2. Summary of Significant Accounting Policies, continued

Without Donor Restrictions – Board Designated. These are comprised of resources that the Board of Directors has established as being designated for future program operations and are comprised of Board designated, endowed funds. For purposes of complying with net assets accounting, these assets are included in net assets without donor restrictions at December 31, 2021. The Center has Board designated net assets of \$4,848,777 at December 31, 2021.

With Donor Restrictions. The Center reports gifts of cash and other assets as donor-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, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. The Center has donor-restricted net assets of \$2,883,935 at December 31, 2021.

Client Cash Accounts

The Center maintains a separate cash account for its clients. These are funds awarded by the court for WCLP 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 gain, 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 certain investments at fair value. The specified technique used to measure fair value for the consolidated financial statement element is described in the notes below that relates to the element.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

The Center recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received or pledges. Certain contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Those contracts and grants, or conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or qualifying expenses have been incurred. 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-près awards are recognized as revenue upon the court's final approval of the settlement.

Grants and Accounts Receivable, and Pledges Receivable

At December 31, 2021, management assessed the collectability of grants and accounts receivable, and pledges receivable, concluding that no allowance was considered necessary. Furthermore, management did not record discounts on its grants or pledges receivable which are expected to be collected in greater than one year as the amount is not deemed material to the consolidated financial statements.

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 money market funds, bond funds, equity funds, and a private placement limited partnership. Market values of such investments 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through June 28, 2022, the date which the consolidated financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

WCLP regularly monitors liquidity required to meet its operating needs. A detailed monthly cash flow statement is maintained over a 24-month period. WCLP has various sources of liquidity at its disposal, including cash, cash equivalents and an investment account.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WCLP considers all expenditures related to its ongoing activities.

In addition to financial assets available to meet general expenditures over the next 12 months, WCLP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by restricted revenue.

Our unrestricted, quasi-endowment fund, managed by the Foundation Board, consists of an invested account. Our board-designated endowment of \$4,848,777, as of December 31, 2021, is subject to an annual spending rate of 4.5 percent. Additionally, the Board may distribute funds as cash flows needs or opportunities are presented for general use. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary, in the event of delayed attorneys' fee award or other contingencies.

As of December 31, 2021, the following table shows the total liquid financial assets, as reflected in this audit, held by WCLP and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures. These are in addition to the invested funds (noted above) held by the Foundation:

Cash**	\$1,015,670
Grants and accounts receivable**	2,270,354
Pledges receivable	35,194
Investments convertible to cash	<u>427,217</u>
	<u>\$3,748,435</u>

**Includes grants restricted by donors for purpose and time but expected to be released for expenditures within one year of the consolidated statement of financial position date.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deems pledges receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been established. Pledges receivable of \$35,194 at December 31, 2021 is expected to be collected within one year.

5. Investments

Composition of investments at December 31, 2021 is as follows:

Stock funds	\$3,442,119
Bond funds	1,763,969
Money market funds	<u>69,096</u>
Total	<u>\$5,275,184</u>

Significant information about investments at December 31, 2021 is summarized as follows:

Beginning balance, January 1, 2021	\$4,803,664
Purchases/transfers	10,146
Sales	(190,239)
Gain on investments	561,491
Interest and dividends reinvested	<u>90,122</u>
Ending balance, December 31, 2021	<u>\$5,275,184</u>

6. Property and Equipment

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

Law library	\$ 240,330
Computer equipment	<u>19,310</u>
Less: accumulated depreciation	<u>(259,640)</u>
	<u>\$ -</u>

7. Accrued Liabilities

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

Vacation accrual	\$291,731
Other payroll liabilities	<u>13,233</u>
	<u>\$304,964</u>

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), signed into law on March 27, 2020, provided additional avenues of relief to small businesses and nonprofits through programs administered by the Small Business Administration (“SBA”). The CARES Act established a Paycheck Protection Program (“PPP”), whereby certain small businesses and nonprofits are eligible for a loan to fund payroll expenses, rent, and related costs. The loan may be forgiven after a period of up to twenty-four weeks (“the covered period”) as long as the recipient uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels.

On April 20, 2020, the Center received a PPP loan of \$668,750, the proceeds of which would be used to support payroll and operations during the shutdown and as the Center moved into the resumption of business activities under new COVID-19 guidelines.

Any unforgiven portion of the PPP loan 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. The Center is uncertain as to the extent, if any, that the loan proceeds will meet all of the conditions for forgiveness of the loan.

On July 21, 2021, the Center received notification from its SBA PPP loan servicer that their PPP loan forgiveness application was approved. As such, the Center recorded revenue of \$668,750 for the year ended December 31, 2021.

The SBA reserves the right to review any loan in their discretion and the SBA will review any loan over \$2 million. 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.

9. Commitments and Contingencies

Obligations Under Operating Leases

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

<u>Year ending December 31,</u>	
2022	\$ 248,037
2023	194,157
2024	199,665
2025	205,173
2026	210,681
Thereafter	<u>234,243</u>
	<u>\$1,291,956</u>

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Commitments and Contingencies, continued

Rental expense under operating leases was \$309,583 for the year ended December 31, 2021, and is included in occupancy expense in the Consolidated Statement of Functional Expenses. No rental income from month-to-month subleases for the year ended December 31, 2021.

Contracts and Grants

The Center's contracts and grants 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.

Impact of COVID-19 Virus

Following the State of California COVID-19 protocols, the Center has been conducting business activities as usual with consideration of social distancing and remote work opportunities. The long-term financial impact of the COVID-19 virus on the Center cannot be foreseen at this time and is not reflected in these consolidated financial statements.

10. Net Assets With Donor Restrictions

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

<u>Time restrictions</u>	<u>\$1,992,590</u>
<u>Purpose restrictions</u>	
Health	\$ 597,982
Housing	266,696
Public Benefits	<u>26,667</u>
	<u>891,345</u>
	<u>\$2,883,935</u>

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Board Designated Endowment

The board-designated endowment, in the amount of \$4,848,777 as of December 31, 2021, is subject to an annual spending rate of 4.5 percent. However, the Center Board may distribute funds as cash flows needs or opportunities are presented for general use. As a Board designated endowment, these assets are included as a component of net assets without donor restrictions. Significant information about the Board designated endowment as of December 31, 2021 is as follows:

Board designated endowment net asset composition by type of fund:

Board designated	<u>\$4,848,777</u>
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Changes in board designated endowment net assets:

Beginning of year, January 1, 2021	\$4,401,171
Purchases	
Sales	(180,000)
Fees	(68)
Investment income	<u>627,674</u>
End of year, December 31, 2021	<u>\$4,848,777</u>

Investment income

Interest and dividends	\$ 78,737
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Gain on investments	<u>548,937</u>
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	<u>\$627,674</u>
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**WESTERN CENTER ON LAW AND POVERTY, INC.
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Fair Market Value

The table below presents the balances of assets or liabilities 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>
Government money market fund	\$ 69,096	\$ -	\$ -	\$ 69,096
Bond funds				
Intermediate core bond	1,173,482			1,173,482
Inflation protected bond	193,904			193,904
High yield bond	173,750			173,750
Intermediate-term bond	152,881			152,881
Multisector	37,393			37,393
Tactical allocation bond	<u>32,559</u>	<u>-</u>	<u>-</u>	<u>32,559</u>
	<u>1,763,969</u>	<u>-</u>	<u>-</u>	<u>1,763,969</u>
Stock funds				
Large blend	2,943,655			2,943,655
Foreign large blend	314,400			314,400
Emerging markets	118,884			118,884
Large growth	<u>65,180</u>	<u>-</u>	<u>-</u>	<u>65,180</u>
	<u>3,442,119</u>	<u>-</u>	<u>-</u>	<u>3,442,119</u>
Fair value at December 31, 2021	<u>\$5,275,184</u>	<u>\$ -</u>	<u>-</u>	<u>\$5,275,184</u>

The fair value of money market funds, bond funds and stock funds within the Level 1 inputs are based on quoted market prices as of the closing of the last business day of the fiscal year.

13. 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, 2021, the Center’s contributions to the plan were \$135,920.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2021
With comparative totals at December 31, 2020

	WCLP	The WCLP Endowment Foundation	Eliminations	2021	2020
ASSETS					
Cash	\$ 1,014,860	\$ 810	\$ -	\$ 1,015,670	\$ 1,287,998
Grants and accounts receivable	2,270,354			2,270,354	1,712,852
Pledges receivable (Note 4)	35,194			35,194	31,594
Prepaid expenses and other assets	133,094			133,094	130,819
Investments (Note 5)	427,217	4,847,967		5,275,184	4,803,664
Property and equipment (Note 6)				-	-
TOTAL ASSETS	\$ 3,880,719	\$ 4,848,777	\$ -	\$ 8,729,496	\$ 7,966,927
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 63,117	\$ -	\$ -	\$ 63,117	\$ 63,378
Accrued liabilities (Note 7)	304,964			304,964	252,806
Paycheck protection program loan (Note 8)				-	668,750
TOTAL LIABILITIES	368,081	-	-	368,081	984,934
NET ASSETS					
Without donor restrictions	628,703			628,703	449,870
Without donor restrictions - Board designated (Notes 2 and 11)		4,848,777		4,848,777	4,401,171
With donor restrictions (Notes 2 and 10)	2,883,935			2,883,935	2,130,952
TOTAL NET ASSETS	3,512,638	4,848,777	-	8,361,415	6,981,993
TOTAL LIABILITIES AND NET ASSETS	\$ 3,880,719	\$ 4,848,777	\$ -	\$ 8,729,496	\$ 7,966,927

See independent auditors' report.

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

CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2021
With comparative totals for the year ended December 31, 2020

	WCLP	The WCLP Endowment Foundation	Eliminations	2021	2020
REVENUE AND SUPPORT					
Grants	\$ 3,033,882	\$ -	\$ -	\$ 3,033,882	\$ 2,426,731
Court awarded fees and costs	810,715			810,715	656,436
Investment income, net	23,939	627,674		651,613	625,593
Special events, net of direct benefits of \$80,013	490,728			490,728	420,761
Contributions	609,842		(180,000)	429,842	508,065
Contract revenue	161,472			161,472	161,388
Cy-près awards	45,000			45,000	-
Publications, net				-	3,812
Other income				-	4,455
TOTAL REVENUE AND SUPPORT	5,175,578	627,674	(180,000)	5,623,252	4,807,241
EXPENSES					
Program services	3,880,936	180,000	(180,000)	3,880,936	3,469,807
Management and general	540,317	68		540,385	444,848
Fundraising	491,259			491,259	533,815
TOTAL EXPENSES	4,912,512	180,068	(180,000)	4,912,580	4,448,470
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	263,066	447,606	-	710,672	358,771
OTHER CHANGES					
Forgiveness of paycheck protection program loan (Note 8)	668,750			668,750	-
CHANGE IN NET ASSETS	931,816	447,606	-	1,379,422	358,771
NET ASSETS, BEGINNING OF YEAR	2,580,822	4,401,171		6,981,993	6,623,222
NET ASSETS, END OF YEAR	\$ 3,512,638	\$ 4,848,777	\$ -	\$ 8,361,415	\$ 6,981,993

See independent auditors' report.

ADDITIONAL INFORMATION

**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
Western Center on Law and Poverty, Inc.
and The WCLP Endowment Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2021, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's 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 consolidated 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's consolidated 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 determination of consolidated financial statement amounts. 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

June 28, 2022