
EAST BAY COMMUNITY LAW CENTER

FINANCIAL STATEMENTS

June 30, 2019 and 2018

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

EAST BAY COMMUNITY LAW CENTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Bay Community Law Center
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of East Bay Community Law Center, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years 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 from 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 auditor's 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 East Bay Community Law Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019 on our consideration of East Bay Community Law Center'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 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 internal control over financial reporting or 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.

Report on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise East Bay Community Law Center's financial statements. The Schedule of Audit of Alameda County Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Audit of Alameda County Programs is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Audit of Alameda County Programs is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Croody & Lanida CPAs LLP

Oakland, California

November 5, 2019

EAST BAY COMMUNITY LAW CENTER

**Statement of Financial Position
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,125,310	\$ 1,102,892
Cash held in trust (Note 3)	516,849	379,699
Investments (Note 4)	1,609,792	1,551,746
Grants and pledges receivable	953,337	766,203
Prepaid expenses	70,878	116,488
Total Current Assets	<u>4,276,166</u>	<u>3,917,028</u>
Property and equipment, net (Note 6)	1,635,678	1,686,902
Deposits	<u>29,328</u>	<u>31,302</u>
Total Assets	<u>\$ 5,941,172</u>	<u>\$ 5,635,232</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 183,923	\$ 167,424
Accrued vacation	300,110	258,056
Deferred revenue	199,232	213,436
Client trust accounts (Note 3)	516,849	379,699
Total Liabilities	<u>1,200,114</u>	<u>1,018,615</u>
Net Assets		
Without donor restrictions (Note 10)	3,967,635	3,682,662
With donor restrictions (Note 11)	<u>773,423</u>	<u>933,955</u>
Total Net Assets	<u>4,741,058</u>	<u>4,616,617</u>
Total Liabilities and Net Assets	<u>\$ 5,941,172</u>	<u>\$ 5,635,232</u>

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

**Statement of Activities
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Government awards	\$ 2,813,127	\$	\$ 2,813,127
Foundation and community grants	74,000	1,793,721	1,867,721
Contributions	1,860,513	447,303	2,307,816
Special event, net (Note 14)	212,244		212,244
Total Support	<u>4,959,884</u>	<u>2,241,024</u>	<u>7,200,908</u>
Revenue			
Affiliation agreement (Note 15)	1,011,627		1,011,627
Attorney fees and costs	150,191		150,191
Investment activity, net (Note 4)	58,035		58,035
Other	19,253		19,253
Total Revenue	<u>1,239,106</u>	<u>-</u>	<u>1,239,106</u>
Support provided by expiring time and purpose restrictions	2,401,556	(2,401,556)	-
Total Support and Revenue	<u>8,600,546</u>	<u>(160,532)</u>	<u>8,440,014</u>
Expenses			
Program	6,582,928		6,582,928
Management and general	1,121,222		1,121,222
Fundraising	611,423		611,423
Total Expenses	<u>8,315,573</u>	<u>-</u>	<u>8,315,573</u>
Change in Net Assets	284,973	(160,532)	124,441
Net Assets, beginning of year	<u>3,682,662</u>	<u>933,955</u>	<u>4,616,617</u>
Net Assets, end of year	<u>\$ 3,967,635</u>	<u>\$ 773,423</u>	<u>\$ 4,741,058</u>

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

**Statement of Activities
For the Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Government awards	\$ 2,147,898	\$	\$ 2,147,898
Foundation and community grants	831,638	1,304,810	2,136,448
Contributions	742,077	420,006	1,162,083
Total Support	<u>3,721,613</u>	<u>1,724,816</u>	<u>5,446,429</u>
Revenue			
Affiliation agreement (Note 15)	979,608		979,608
Attorney fees and costs	72,080		72,080
Investment activity (Note 4)	89,501		89,501
Other	28,394		28,394
Total Revenue	<u>1,169,583</u>	<u>-</u>	<u>1,169,583</u>
Support provided by expiring time and purpose restrictions	2,349,372	(2,349,372)	-
Total Support and Revenue	<u>7,240,568</u>	<u>(624,556)</u>	<u>6,616,012</u>
Expenses			
Program	5,862,186		5,862,186
Management and general	901,412		901,412
Fundraising	536,734		536,734
Total Expenses	<u>7,300,332</u>	<u>-</u>	<u>7,300,332</u>
Change in Net Assets	(59,764)	(624,556)	(684,320)
Net Assets, beginning of year	<u>3,742,426</u>	<u>1,558,511</u>	<u>5,300,937</u>
Net Assets, end of year	<u>\$ 3,682,662</u>	<u>\$ 933,955</u>	<u>\$ 4,616,617</u>

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

**Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 124,441	\$ (684,320)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	51,224	70,768
Investment activity, net	(58,035)	(89,501)
Donated investments	(7,449)	(10,080)
Change in assets and liabilities:		
Client trust accounts	(137,150)	42,746
Grants and pledges receivable	(187,134)	(77,637)
Prepaid expenses	45,610	120,502
Deposits	1,974	(28,402)
Accounts payable and accrued expenses	16,499	41,889
Accrued vacation	42,054	31,523
Deferred revenue	(14,204)	49,798
Client trust accounts	137,150	(42,746)
Net cash provided (used) by operating activities	14,980	(575,460)
Cash flows from investing activities:		
Purchase of property and equipment	-	(71,618)
Proceeds from sale of investments	7,438	9,896
Net cash provided (used) by investing activities	7,438	(61,722)
Net change in cash and cash equivalents	22,418	(637,182)
Cash and cash equivalents, beginning of year	1,102,892	1,740,074
Cash and cash equivalents, end of year	\$ 1,125,310	\$ 1,102,892

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

**Statement of Functional Expenses
For the Year Ended June 30, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,132,922	\$ 620,021	\$ 351,594	\$ 5,104,537
Retirement contributions	103,146	14,882	9,959	127,987
Employee benefits	591,739	85,835	50,391	727,965
Payroll taxes	308,654	47,018	26,554	382,226
Total Personnel	<u>5,136,461</u>	<u>767,756</u>	<u>438,498</u>	<u>6,342,715</u>
Grants	22,500	-	-	22,500
Accounting fees	-	61,860	-	61,860
Other fee for service	239,555	76,971	46,034	362,560
Supplies and office expenses	144,164	47,046	28,089	219,299
Occupancy	350,299	44,659	23,614	418,572
Travel and meals	48,710	41,550	52,119	142,379
Conferences, conventions, meetings	37,680	40,044	2,122	79,846
Depreciation	42,922	5,388	2,914	51,224
Insurance	61,014	11,749	4,163	76,926
Dues, licenses, service fees	57,304	22,724	13,870	93,898
Litigation and translation fees	207,795	-	-	207,795
Client filings fees	233,686	-	-	233,686
Other	838	1,475	-	2,313
Total Expenses	<u>\$ 6,582,928</u>	<u>\$ 1,121,222</u>	<u>\$ 611,423</u>	<u>\$ 8,315,573</u>
Expenses reported on a net basis on the statement of activities				
Event expense	-	-	45,781	45,781
Total Expenses by Function	<u>\$ 6,582,928</u>	<u>\$ 1,121,222</u>	<u>\$ 657,204</u>	<u>\$ 8,361,354</u>

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

**Statement of Functional Expenses
For the Year Ended June 30, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,514,177	\$ 521,099	\$ 345,653	\$ 4,380,929
Retirement contributions	92,482	12,875	8,334	113,691
Employee benefits	466,721	77,565	53,174	597,460
Payroll taxes	260,035	40,737	25,330	326,102
Total Personnel	<u>4,333,415</u>	<u>652,276</u>	<u>432,491</u>	<u>5,418,182</u>
Grants	105,000	-	-	105,000
Accounting fees	-	56,140	-	56,140
Other fee for service	298,436	20,057	13,760	332,253
Supplies and office expense	348,259	31,893	41,975	422,127
Occupancy	206,221	22,415	17,865	246,501
Travel and meals	36,600	40,042	3,890	80,532
Conferences, conventions, meetings	22,871	45,196	277	68,344
Depreciation	52,772	9,943	8,053	70,768
Insurance	45,013	5,780	4,305	55,098
Dues, licenses, service fees	48,092	12,670	14,118	74,880
Litigation and translation fees	109,124	5,000	-	114,124
Client filing fees	256,383	-	-	256,383
Total Expenses	<u>\$ 5,862,186</u>	<u>\$ 901,412</u>	<u>\$ 536,734</u>	<u>\$ 7,300,332</u>

See Notes to the Financial Statements

EAST BAY COMMUNITY LAW CENTER

Notes to the Financial Statements For the Years Ended June 30, 2019 and June 30, 2018

NOTE 1: NATURE OF ACTIVITIES

East Bay Community Law Center (the Organization) is a California nonprofit public benefit corporation founded in 1988. The Organization provides free legal services to low-income residents of Alameda County and acts as a clinical placement program for law students from the University of California's Berkeley School of Law (formerly Boalt Hall) and from other law schools throughout the United States. Attorneys and law students under their supervision offer free advice, limited scope services and representation to clients with problems in the areas of public benefits, housing, health, immigration, school advocacy, juvenile defense, community reentry, consumer debt, and other general legal issues. Its activities are primarily supported through government awards and private grants and contributions.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

EAST BAY COMMUNITY LAW CENTER

Notes to the Financial Statements For the Years Ended June 30, 2019 and June 30, 2018

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at June 30, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the years ended June 30, 2019 and 2018.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

EAST BAY COMMUNITY LAW CENTER

**Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018**

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents other than cash amounts held within investment accounts for investment purposes which are included in investment balances.

For cash flow purposes purchases of investments represent the total additions to investment accounts from support and revenue received during the year. Proceeds from the sale of investments represent withdrawals used for operations.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Building	40 years
Improvements	10 years
Furniture and equipment	3-10 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents government funds received in advance of costs being expended.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on annual activity assessments prepared by key personnel.

Occupancy, depreciation and amortization, interest, telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee full time equivalents for each program and department.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

EAST BAY COMMUNITY LAW CENTER

**Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018**

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Changes in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,682,662	\$ -
Temporarily restricted net assets	933,955	-
Net assets without donor restrictions	-	3,682,662
Net assets with donor restrictions	-	933,955
Total	<u>\$ 4,616,617</u>	<u>\$ 4,616,617</u>

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of November 5, 2019, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose except for the matter described in Note 9.

NOTE 3: CLIENT TRUST ACCOUNTS

Client trust accounts represent funds held for clients engaged in litigation or other disputes. Such funds include funds received as the result of legal settlements. As a result, \$516,849 and \$379,699 of cash was restricted and was not available for immediate use by the Organization as of June 30, 2019 and 2018, respectively.

EAST BAY COMMUNITY LAW CENTER

**Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018**

NOTE 4: INVESTMENTS

Investments are stated at fair value and consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash equivalents and certificates of deposit	\$ 43,964	\$ 39,911
Mutual Funds and ETFs	<u>1,565,828</u>	<u>1,511,835</u>
Total	<u>\$ 1,609,792</u>	<u>\$ 1,551,746</u>

Certain investments are used to secure a margin loan account. As of June 30, 2019 there was no balance on the margin loan.

Investment Activity

Investment activity consisted of the following the years ended June 30:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 49,176	\$ 39,254
Unrealized and realized gains (losses)	<u>8,859</u>	<u>50,247</u>
Total	<u>\$ 58,035</u>	<u>\$ 89,501</u>

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair values of assets measured on recurring basis were as follows as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash equivalents and certificates of deposit	\$ 17,028	\$ 26,936	\$ 43,964
Mutual Funds and ETFs:			
Equities	763,656	-	763,656
Fixed income	<u>802,172</u>	-	<u>802,172</u>
Total Mutual Funds and ETFs	<u>1,565,828</u>	-	<u>1,565,792</u>
Total	<u>\$ 1,582,856</u>	<u>\$ 26,936</u>	<u>\$ 1,609,792</u>

EAST BAY COMMUNITY LAW CENTER

Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 286,482	\$ 286,482
Land	400,186	400,186
Building	1,693,214	1,693,214
Leasehold improvements	31,062	31,062
Less accumulated depreciation	<u>(775,266)</u>	<u>(724,042)</u>
Total	<u>\$ 1,635,678</u>	<u>\$ 1,686,902</u>

NOTE 7: COMMITMENTS

The Organization has a lease agreement for a facility at 1950 University Ave in Berkeley, California and a copier that expire at various periods through February 2023. Minimum lease payments are as follows for the years ending June 30:

2020	\$ 340,879
2021	351,073
2022	361,571
2023	<u>240,252</u>
Total	<u>\$ 1,293,775</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$300,910 and \$119,273, respectively.

NOTE 8: CONTINGENCIES

Grants and Government Funding

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Government funding may be subject to audit and disallowed costs. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Sabbatical

The Organization maintains a sabbatical policy that offers employees who have ten continuous years of employment a three-month sabbatical to support activities designed to enhance the Organization's reputation or otherwise benefit the Organization. Sabbaticals and sabbatical plans must be approved before being taken. Because leave is intended to support activities designed to enhance the Organization's reputation or otherwise benefit the Organization no liability is accrued in advance of such leave.

NOTE 9: LINE OF CREDIT

Subsequent to June 30, 2019, the Organization entered into an agreement for a secured line of credit with a bank totaling \$500,000 to be drawn down upon as needed, with an interest rate equal to the Index plus 0.50%, or the Floor Rate of 7.50% whichever is greater.

EAST BAY COMMUNITY LAW CENTER

Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

NOTE 10: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Invested in property and equipment	\$ 1,635,678	\$ 1,686,902
Board designated – future needs	26,936	26,936
Undesignated	<u>2,305,021</u>	<u>1,968,824</u>
Total	<u>\$ 3,967,635</u>	<u>\$ 3,682,662</u>

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Legal training	\$ 1,530	\$ 1,530
Intern support	15,911	-
Fund for the Future	66,738	66,738
Health Practice	190,797	150,531
Housing Practice	162,161	1,291
Community Economic Justice Practice	-	46,650
Immigration Practice	4,241	137,915
Youth & Education Defense Practice	118,120	232,125
Clean Slate Practice	50,419	100,740
Consumer Justice Practice	-	22,500
CLICC Project	10,599	5,788
For future use	<u>152,907</u>	<u>168,147</u>
Total	<u>\$ 773,423</u>	<u>\$ 933,955</u>

NOTE 12: CONCENTRATIONS

Government Funding

The Organization receives a portion of its support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Cash Held in Bank

At times, the Organization had deposits in excess of federally insured limits during the years ended June 30, 2019 and 2018.

Grants and Pledges Receivable

Three government entities providing funding made up 70% of grants and pledges receivable as of June 30, 2019.

NOTE 13: RETIREMENT PLAN

The Organization has established a Simplified Employee Pension (SEP) Plan for its employees. The SEP is subject to the provisions of the Internal Revenue Code Section 408(k). The Organization offers a tax deferred retirement plan that is subject to the provisions of the Internal Revenue Code

EAST BAY COMMUNITY LAW CENTER

**Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018**

Section 403(b). All amounts contributed to these plans by employees, as well as any Organization contributions, are fully vested at the time of contribution. The Organization contributed \$127,987 and \$113,691 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14: SPECIAL EVENT

The Organization held a fundraising event during the year. Activity related to the event was as follows during the years ended June 30, 2019.

Donations	\$ 216,985
Admissions	41,040
Less: Costs of direct donor benefit	<u>(45,781)</u>
Total	<u>\$ 212,244</u>

NOTE 15: AFFILIATION AGREEMENT

In September 2013 the Organization signed an updated affiliation agreement retroactively effective as of July 1, 2013 with the Regents of the University of California (University) whereby the Organization provides clinical training of Berkeley Law students for course credit, as well as involving these students in the Organization's volunteer community legal outreach activities.

As part of the Agreement, the University will make payments totaling \$9,304,000 to the Organization over an eleven year period from 2013 to 2024. The agreement is subject to amendment as needed. In December 2016, the University amended the agreement to authorize additional payments of \$355,300 to the Organization in support of a Clinical Director position over a two-year period beginning in May 2017.

Payments totaling \$1,011,627 and \$979,608 were made under the amended agreement for the years ended June 30, 2019 and 2018, respectively.

NOTE 16: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 1,125,310
Cash held in trust	516,849
Investments	1,609,792
Grants and pledges receivable	<u>953,337</u>
Total financial assets	4,205,288
Less purpose restricted net assets	(620,516)
Less cash held in trust	<u>(516,849)</u>
Amount available for general expenditures within one year	<u>\$ 3,067,923</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and investment funds, including bond and equity mutual funds, and exchange traded securities. The Organization manages its receivables and payables to ensure that it is able to meet its

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**Notes to the Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018**

obligations as they become due. Excess cash is invested in short-term investments, generally money market accounts. Donor-restricted funds are included as part of the Organization's liquid assets as they will fund budgeted restricted-purpose expenses within a one year period.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization generally operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Organization has subsequently obtained a \$500,000 line of credit as described in Note 9.

**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****INDEPENDENT AUDITORS' REPORT**

Board of Directors
East Bay Community Law Center
Berkeley, California

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 East Bay Community Law Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report dated November 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Bay Community Law Center's internal control over financial reporting (internal control) to determine 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 East Bay Community Law Center's internal control over financial reporting. Accordingly, *we do not express an opinion* on the effectiveness of East Bay Community Law Center's internal control over financial reporting.

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 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 over financial reporting 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 financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Bay Community Law Center's financial statements are free of 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 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*.

Purpose of this Report

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

Croody & Lameda CPAs LLP

Oakland, California

November 5, 2019

EAST BAY COMMUNITY LAW CENTER

**Schedule of Audit of Alameda County Programs
For the Year Ended June 30, 2019**

Contractor Name: East Bay Community Law Center
 Supervising Department: PHSVC
 CBO Audit Review Coordinator: Jose Santiago/Janette Campos
 Type of Audit Required: GAGAS
 Audit Period Ended: 6/30/2019

List of County Programs						During County Audit Period (7/1/18 - 6/30/19)	
Program Name & CFDA	County Dept	Master & Procurement Contract Number	Contract Period (mm/dd/yy)	Contract Amount	Expenditures	Amount Received from County	
Legal Services - 93.914	PHSVC	900168	3/1/18 - 2/28/19	188,913	136,088	136,088	
Legal Services - 93.914	PHSVC	900168	3/1/19 - 2/28/20	216,121	72,040	36,020	
Health Advocates MLP Program	AHS		7/1/18 - 6/30/19	50,000	50,000	50,000	
Project Dulce	First 5		11/1/17 - 10/31/18	30,000	10,020	10,020	
Project Dulce	First 5		11/1/18 - 6/30/19	20,000	20,000	15,000	
Anti-Displacement Crisis Intervention Program (subcontract thru Centro Legal de la Raza)	HCD		5/22/18 - 5/21/20	207,713	108,404	33,135	

