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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
California Rural Legal Assistance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of California Rural Legal Assistance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 California Rural Legal Assistance, Inc. as of December 31, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Revenue, Expenses and Changes in Net Assets for Legal Services Corporation Funds and Schedule of Property and Equipment as required by the LSC Audit Guide for Recipients and the accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated May 28, 2020 on our consideration of California Rural Legal Assistance, Inc.’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 California Rural Legal Assistance, Inc.’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 California Rural Legal Assistance, Inc.’s internal control over financial reporting and compliance.

SQUAR MILNER LLP

San Francisco, California
May 28, 2020
## CALIFORNIA RURAL LEGAL ASSISTANCE, INC.  
### STATEMENTS OF FINANCIAL POSITION  
#### December 31, 2019 and 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,362,369</td>
<td>$4,421,544</td>
</tr>
<tr>
<td>Client trust funds</td>
<td>215,752</td>
<td>242,010</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>839,579</td>
<td>358,384</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>-</td>
<td>52,600</td>
</tr>
<tr>
<td>Other receivables</td>
<td>189,892</td>
<td>458,331</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>135,737</td>
<td>256,569</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>6,743,329</td>
<td>5,789,438</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>2,870,929</td>
<td>2,929,201</td>
</tr>
<tr>
<td>Pledges and grants receivable - long term</td>
<td>150,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Deposits</td>
<td>34,723</td>
<td>38,797</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$9,798,981</td>
<td>$8,762,436</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | $286,242 | $398,479 |
| Current portion of notes payable | 61,848 | 56,542 |
| Accrued salaries | 279,772 | 205,721 |
| Accrued vacation | 580,973 | 432,836 |
| Other accrued liabilities | 137,949 | 95,032 |
| Client trust funds payable | 215,752 | 242,010 |
| Deferred rent | 19,880 | 15,825 |
| **Total current liabilities** | 1,582,416 | 1,446,445 |
| Noncurrent Liabilities | | |
| Deferred rent - long term | 97,785 | 97,785 |
| Notes payable - net of current portion | 1,078,671 | 1,142,153 |
| **Total liabilities** | 2,758,872 | 2,686,383 |
| Net Assets | | |
| Without donor restrictions | | |
| Available for operations | 1,319,056 | 1,730,502 |
| Board designated reserve | 1,000,000 | 953,831 |
| **Total net assets** | 2,319,056 | 2,684,333 |
| With donor restrictions | | |
| 4,721,053 | 3,391,720 |
| **Total net assets** | 7,040,109 | 6,076,053 |
| **Total liabilities and net assets** | $9,798,981 | $8,762,436 |

The accompanying notes are an integral part of these financial statements.
CALIFORNIA RURAL LEGAL ASSISTANCE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

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

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant revenue</td>
<td>$505,513</td>
<td>$15,496,628</td>
<td>$16,002,141</td>
</tr>
<tr>
<td>Contributions</td>
<td>685,802</td>
<td>685,802</td>
<td>1,371,604</td>
</tr>
<tr>
<td>Attorneys fees and cost recovery</td>
<td>671,647</td>
<td>671,647</td>
<td>571,773</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>1,936</td>
<td>1,936</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>413,418</td>
<td>413,418</td>
<td>2,186,466</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>14,167,295</td>
<td>(14,167,295)</td>
<td></td>
</tr>
<tr>
<td>TOTAL SUPPORT AND REVENUE</td>
<td>16,445,611</td>
<td>1,329,333</td>
<td>17,774,944</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>13,429,320</td>
<td>-</td>
<td>13,429,320</td>
</tr>
<tr>
<td>Management and general</td>
<td>2,714,107</td>
<td>-</td>
<td>2,714,107</td>
</tr>
<tr>
<td>Fundraising</td>
<td>667,461</td>
<td>-</td>
<td>667,461</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>16,810,888</td>
<td>-</td>
<td>16,810,888</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET ASSETS</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(365,277)</td>
<td>1,329,333</td>
<td>964,056</td>
<td>832,982</td>
</tr>
<tr>
<td>NET ASSETS - BEGINNING OF YEAR</td>
<td>2,684,333</td>
<td>3,391,720</td>
<td>6,076,053</td>
</tr>
<tr>
<td>NET ASSETS AT END OF YEAR</td>
<td>$2,319,056</td>
<td>$4,721,053</td>
<td>$7,040,109</td>
</tr>
</tbody>
</table>
## CALIFORNIA RURAL LEGAL ASSISTANCE, INC.
### STATEMENTS OF FUNCTIONAL EXPENSES
***For the Years Ended December 31, 2019 and 2018***

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>7,796,450</td>
<td>$1,179,294</td>
<td>$382,624</td>
<td>$9,358,368</td>
<td>7,020,863</td>
<td>$525,694</td>
<td>$387,319</td>
<td>$7,933,876</td>
</tr>
<tr>
<td>Payroll taxes and fringe benefits</td>
<td>2,423,385</td>
<td>302,559</td>
<td>98,576</td>
<td>2,824,520</td>
<td>1,798,195</td>
<td>139,390</td>
<td>99,212</td>
<td>2,036,797</td>
</tr>
<tr>
<td>Space and occupancy</td>
<td>829,187</td>
<td>94,619</td>
<td>31,734</td>
<td>955,540</td>
<td>819,166</td>
<td>62,048</td>
<td>5,181</td>
<td>886,395</td>
</tr>
<tr>
<td>Contract services and professional fees</td>
<td>196,886</td>
<td>651,067</td>
<td>32,072</td>
<td>880,025</td>
<td>142,563</td>
<td>331,451</td>
<td>80,619</td>
<td>554,633</td>
</tr>
<tr>
<td>Travel and training</td>
<td>514,983</td>
<td>221,201</td>
<td>19,669</td>
<td>755,853</td>
<td>368,058</td>
<td>105,946</td>
<td>57,750</td>
<td>531,754</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>317,334</td>
<td>70,983</td>
<td>14,980</td>
<td>403,297</td>
<td>322,279</td>
<td>27,039</td>
<td>36,957</td>
<td>386,275</td>
</tr>
<tr>
<td>Telephone</td>
<td>332,230</td>
<td>50,113</td>
<td>12,492</td>
<td>394,835</td>
<td>293,241</td>
<td>22,537</td>
<td>6,175</td>
<td>321,953</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>185,176</td>
<td>30,373</td>
<td>5,200</td>
<td>220,749</td>
<td>169,223</td>
<td>10,643</td>
<td>-</td>
<td>179,866</td>
</tr>
<tr>
<td>Subgrant</td>
<td>168,482</td>
<td>22,643</td>
<td>6,903</td>
<td>196,028</td>
<td>183,351</td>
<td>24,642</td>
<td>7,511</td>
<td>215,504</td>
</tr>
<tr>
<td>Library</td>
<td>138,259</td>
<td>11,289</td>
<td>-</td>
<td>149,547</td>
<td>145,119</td>
<td>-</td>
<td>140</td>
<td>145,259</td>
</tr>
<tr>
<td>Insurance</td>
<td>123,601</td>
<td>16,604</td>
<td>5,071</td>
<td>145,276</td>
<td>52,372</td>
<td>3,942</td>
<td>-</td>
<td>56,314</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>40,197</td>
<td>11,449</td>
<td>48,477</td>
<td>100,123</td>
<td>105,885</td>
<td>68,503</td>
<td>9,178</td>
<td>183,566</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>83,575</td>
<td>11,228</td>
<td>3,428</td>
<td>98,230</td>
<td>75,682</td>
<td>5,696</td>
<td>-</td>
<td>81,378</td>
</tr>
<tr>
<td>Memberships</td>
<td>58,654</td>
<td>24,311</td>
<td>1,244</td>
<td>84,209</td>
<td>48,665</td>
<td>3,747</td>
<td>1,123</td>
<td>53,535</td>
</tr>
<tr>
<td>Advertising</td>
<td>63,739</td>
<td>8,563</td>
<td>2,615</td>
<td>74,917</td>
<td>20,919</td>
<td>3,669</td>
<td>-</td>
<td>24,588</td>
</tr>
<tr>
<td>Interest</td>
<td>57,922</td>
<td>7,781</td>
<td>2,376</td>
<td>68,079</td>
<td>69,977</td>
<td>5,566</td>
<td>3,976</td>
<td>79,519</td>
</tr>
</tbody>
</table>

$13,429,320 $2,714,107 $667,461 $16,810,888 $11,822,620 $1,340,513 $695,141 $13,858,274

The accompanying notes are an integral part of these financial statements.
### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$964,056</td>
<td>$1,536,784</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>100,123</td>
<td>183,566</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(481,194)</td>
<td>43,813</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(92,400)</td>
<td>39,360</td>
</tr>
<tr>
<td>Other receivables</td>
<td>268,439</td>
<td>(410,656)</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>124,906</td>
<td>(136,899)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(112,237)</td>
<td>114,792</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>265,104</td>
<td>99,031</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>4,055</td>
<td>(30,979)</td>
</tr>
<tr>
<td>Client trust funds payable</td>
<td>(26,258)</td>
<td>37,307</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>1,014,594</strong></td>
<td><strong>1,476,119</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net proceeds from certificates of deposit</td>
<td>-</td>
<td>749,115</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>(41,851)</td>
<td>(92,771)</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by investing activities</strong></td>
<td><strong>(41,851)</strong></td>
<td><strong>656,344</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal payments on notes payable</td>
<td>(58,176)</td>
<td>(316,220)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td><strong>(58,176)</strong></td>
<td><strong>(316,220)</strong></td>
</tr>
</tbody>
</table>

### CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,663,554</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,578,121</td>
<td>$4,663,554</td>
<td></td>
</tr>
</tbody>
</table>

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid during the year for interest</td>
<td>$68,079</td>
<td>$77,287</td>
</tr>
</tbody>
</table>

Reconciliation of totals in the statements of cash flows to related captions in the statements of financial position

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,362,369</td>
<td>$4,421,544</td>
</tr>
<tr>
<td>Client trust funds</td>
<td>215,752</td>
<td>242,010</td>
</tr>
<tr>
<td><strong>Total cash, cash equivalents, and restricted cash</strong></td>
<td><strong>$5,578,121</strong></td>
<td><strong>$4,663,554</strong></td>
</tr>
</tbody>
</table>
1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California Rural Legal Assistance, Inc. (CRLA) is a private nonprofit law firm established in 1966 and provides free legal assistance to rural California’s low income population.

CRLA’s staff includes attorneys, community workers, paralegals, clerical, and other support staff in its Oakland headquarters, and sixteen offices in various rural locations in the state of California. Each rural office has a professional staff supported by CRLA counsel and administrative staff in Oakland.

Non-management attorneys, community workers, and clerical employees are members of Legal Services Workers of Rural California (LSWRC), National Organization of Legal Services Workers (NOLSW), and United Auto Workers (UAW) Local 2320.

Basis of Accounting

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

Net Assets

Net assets and changes therein are classified as follows:

- Without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated by the board of directors for specific projects.
- With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of CRLA and/or the passage of time and net assets to be held in perpetuity as directed by donors. CRLA currently has no net assets to be held in perpetuity as directed by donors.

Cash, Cash Equivalents, and Restricted Cash

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

Concentration of Credit Risk

Financial instruments that potentially subject CRLA to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking and investing with creditworthy institutions. Such balances, at times, may be in excess of federally insured amounts (currently $250,000 per depositor). CRLA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.
1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Pledges Receivable

Grants receivable represent balances due from various foundations, governmental and non-governmental agencies and are stated at the amount management expects to collect from outstanding balances. Should it become necessary, management will provide for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. Balances remaining after management has used reasonable collection efforts would be written off through a charge to bad debt expense. At December 31, 2019 and 2018, CRLA determined that the grants receivable were fully collectible.

CRLA recognizes all unconditional gifts and pledges in the period notified. Pledges receivable are reviewed for collectability, and provisions for uncollectible amounts are established when needed. At December 31, 2019, CRLA did not have any pledges receivable. At December 31, 2018, CRLA determined that the pledges were fully collectible.

Property and Equipment

CRLA capitalizes property and equipment with a cost or fair value in excess of $5,000. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years.

Property and equipment acquired with federal funds or LSC funds are considered to be owned by CRLA while used in the program or in future authorized programs. However, funding sources have a reversionary interest in these assets as well as the determination of use of any proceeds from the sales of these assets.

Client Trust Funds

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

In-Kind Contributions

CRLA records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, or additions to property and equipment.

During the year ended December 31, 2019, CRLA received pro bono legal services of $1,936 from volunteers who serve as attorneys and paralegals. During the years ended December 31, 2018, CRLA did not receive any pro bono legal services.
1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Functional expenses of CRLA include program and supporting expenses. Expenses directly attributable and identifiable to individual programs or supporting services are charged directly. CRLA allocates expenses that do not directly benefit an activity between program and supporting expenses based on estimates of the relative benefits to each. CRLA bases its estimates primarily on time spent by personnel on various activities. The management of CRLA reviews and adjusts the estimates at least annually.

Income Tax Status

CRLA is recognized as exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax.

Each year management considers whether any material tax positions the CRLA has taken are more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions CRLA has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

Revenue recognition for contribution and grant income is evaluated under Accounting Standards Update (“ASU”) 2018-08, and are accounted for as nonreciprocal transactions. Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restriction. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue recognition from attorney’s fee awards is evaluated under Accounting Standards Codification (“ASC”) 606 through the following five steps: (i) identification of the contract of contracts with a customer; (ii) identification of the performance obligation in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligations is satisfied.
1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

CRLA enters into contracts with clients that are contingent upon the outcome of cases. The contract is rendered effective once the court awards the attorney fee revenue, and collectability of the amount is assured. Services are often performed on behalf of the client prior to the existence of the contract, and in such cases the revenue is recognized on a cumulative catch-up basis at the effective date of the contract. Performance obligations in the contracts consist of legal services provided to clients.

Recently Issued Accounting Standards

The FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the CRLA for the year ending December 31, 2022, and early adoption is permitted. CRLA is currently evaluating the timing of its adoption and its impact on its financial statements.

2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, FASB issued ASU 2014-09, Revenue from Contracts with Customers, which replaces most existing revenue recognition guidance in US GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue contracts with customers. ASU 2014-09 and its amendments were included primarily in Accounting Standards Codification ("ASC") 606. CRLA has adjusted the presentation of its financial statements accordingly.

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods of services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements used. CRLA adopted ASC 606 effective January 1, 2019, using the modified retrospective method. The adoption of ASC 606 did not have a material effect on the CRLA’s financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of January 1, 2019 as a result of ASC 606 implementation.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08 did not have a material effect on CRLA’s financial position or results of operations.
2. **ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT** (continued)

The FASB also issued ASU 2016-18, Restricted Cash, which provides guidance for how entities should present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash, cash equivalents, and restricted cash in the statement of cash flows. As a result, the entity will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. Restricted cash is now included with cash and cash equivalents. During the year ended December 31, 2019, CLRA adopted ASU 2016-18, and the required changes have been reflected in CRLA’s statement of cash flows using retrospective adoption.

3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

CRLA’s primary source of revenue is revenue received from Legal Services Corporation (LSC) and from third party grants.

CRLA considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include program expenses, administrative and general expenses, and fundraising expenses that are expected to be paid in the subsequent year.

CRLA also receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions.

The table below presents financial assets available to fund general operating expenses within one year at December 31, 2019:

<table>
<thead>
<tr>
<th>Financial assets at December 31, 2019:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>5,362,369</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>839,579</td>
</tr>
<tr>
<td>Other receivables</td>
<td>189,892</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>6,391,840</td>
</tr>
</tbody>
</table>

Less amounts not available to be used within one year:

| Purpose restricted net assets        | 4,721,052 |
| Board designated net assets          | 1,000,000 |
| **Total**                            | 5,721,052 |

Financial assets available to meet general expenditures within one year $ 670,788
4. PLEDGES AND GRANTS RECEIVABLE

Pledges receivable at December 31 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in one year or less</td>
<td></td>
<td>$52,600</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$57,600</td>
<td>$57,600</td>
</tr>
</tbody>
</table>

Grants receivable as December 31 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in one year or less</td>
<td>$839,579</td>
<td>$358,384</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>150,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$989,579</td>
<td>$358,384</td>
</tr>
</tbody>
</table>

CRLA did not record the discount on pledges or grants receivable that were due more than one year at December 31, 2019 and 2018 as CRLA believes that the amount is immaterial.

5. PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$2,792,772</td>
<td>$2,792,772</td>
</tr>
<tr>
<td>Land</td>
<td>957,990</td>
<td>957,990</td>
</tr>
<tr>
<td>Building improvements</td>
<td>1,163,473</td>
<td>1,121,625</td>
</tr>
<tr>
<td>Law library</td>
<td>391,111</td>
<td>391,111</td>
</tr>
<tr>
<td>Office equipment</td>
<td>106,800</td>
<td>253,353</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>204,329</td>
<td>57,774</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>84,579</td>
<td>84,579</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,701,054</td>
<td>$5,659,204</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,830,125)</td>
<td>(2,730,003)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,870,929</td>
<td>$2,929,201</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2019 and 2018, depreciation expense was $100,123 and $183,566, respectively.
6. NOTES PAYABLE

Notes payable consisted of the following:

<table>
<thead>
<tr>
<th>Note payable to a bank, secured by deed of trust. Interest at 5.68% and monthly payments of $9,285 including principal and interest, due March 2034.</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,085,109</td>
<td>$1,133,296</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note payable to a bank, secured by deed of trust. Interest at 8.25% and monthly payments of $1,251 including principal and interest, due May 2024.</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>55,410</td>
<td>65,399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less: current portion</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(61,848)</td>
<td>(56,542)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual maturities of the notes payable are as follows:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December 31,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$61,848</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>65,751</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>69,907</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>74,333</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>70,107</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>798,573</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,140,519</td>
<td></td>
</tr>
</tbody>
</table>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 were restricted for the following restrictions:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSC - Basic, Migrant and Attorney Fees</td>
<td>$2,305,500</td>
</tr>
<tr>
<td>Foundations and Non-Government</td>
<td>817,912</td>
</tr>
<tr>
<td>Other Government</td>
<td>1,448,100</td>
</tr>
<tr>
<td>LSC - Property</td>
<td>149,540</td>
</tr>
<tr>
<td></td>
<td>$4,721,052</td>
</tr>
</tbody>
</table>
7. **NET ASSETS WITH DONOR RESTRICTIONS** (continued)

For the years ended December 31, 2019 and 2018, net assets with donor restrictions were released from donor/grantor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors/grantors as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSC - Basic, Migrant and Attorney Fees</td>
<td>$ 8,764,101</td>
<td>$ 7,920,677</td>
</tr>
<tr>
<td>LSC - Disaster Recovery</td>
<td>-</td>
<td>156,479</td>
</tr>
<tr>
<td>State Bar of California - Equal Access Fund</td>
<td>1,363,832</td>
<td>1,693,360</td>
</tr>
<tr>
<td>Foundations and Non-Government</td>
<td>1,472,545</td>
<td>1,227,776</td>
</tr>
<tr>
<td>Other Government</td>
<td>938,323</td>
<td>501,297</td>
</tr>
<tr>
<td>Grant receivable - Time Restricted</td>
<td>-</td>
<td>150,000</td>
</tr>
<tr>
<td>State Bar of California - IOLTA</td>
<td>1,628,494</td>
<td>1,024,570</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 14,167,295</td>
<td>$ 12,674,159</td>
</tr>
</tbody>
</table>

8. **OPERATING LEASES**

CRLA leases various office facilities under various non-cancelable operating lease arrangements in Coachella, Delano, Fresno, Modesto, San Luis Obispo, Santa Barbara, Santa Maria, Santa Rosa, Stockton, and Vista, California expiring through March 2026. CRLA also leases equipment with various non-cancelable operating lease arrangements expiring through June 2021.

Future minimum lease payments under these arrangements at December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th>Facilities</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 323,904</td>
<td>$ 43,963</td>
<td>$ 367,867</td>
</tr>
<tr>
<td>2021</td>
<td>281,460</td>
<td>1,796</td>
<td>283,256</td>
</tr>
<tr>
<td>2022</td>
<td>266,400</td>
<td>-</td>
<td>266,400</td>
</tr>
<tr>
<td>2023</td>
<td>185,962</td>
<td>-</td>
<td>185,962</td>
</tr>
<tr>
<td>2024</td>
<td>171,449</td>
<td>-</td>
<td>171,449</td>
</tr>
<tr>
<td>Thereafter</td>
<td>161,304</td>
<td>-</td>
<td>161,304</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,390,479</td>
<td>$ 45,759</td>
<td>$ 1,436,238</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2019 and 2018, office rent expense was $589,553 and $449,067, and equipment rent expense was $98,231 and $71,162, respectively.
9. EMPLOYEE BENEFIT PLAN

CRLA has a 401(k) defined contribution profit sharing plan. Eligible employees who are at least age 18 and are not covered under a collective bargaining agreement may defer up to the lesser of 75% of their salary or the limit under the Internal Revenue Code (IRC). CRLA matches 100% of those employee deferrals, up to a maximum of $2,760 based on their years of services and salaries. During 2019, CRLA amended the plan to match 4% of compensation of all eligible employees, regardless of tenure. Employees eligible for the matching contributions vest immediately in the match. CRLA contributed $217,573 and $97,800, respectively, to the plan for the years ended December 31, 2019 and 2018.

Effective January 1, 2006, CRLA established an individually designated retirement plan under IRC 403(b) available to all highly compensated employees within the meaning of IRS 414(q). Eligible participants may contribute an amount equal to the amount of compensation reduced pursuant to the participant’s election not to exceed the limit under IRC. CRLA is not required to make any contributions to this plan.

10. PRIVATE ATTORNEY INVOLVEMENT

CRLA is required by Legal Services Corporation (LSC) to devote at least 12.5% of the LSC’s basic grant to promote private attorney involvement (PAI). CRLA’s PAI requirement and the related expenses during the years ended December 31, 2019 and 2018 are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSC Basic Grant</td>
<td>$4,750,556</td>
<td>$5,362,154</td>
</tr>
<tr>
<td>LSC rate</td>
<td>12.50%</td>
<td>12.50%</td>
</tr>
<tr>
<td>PAI required threshold</td>
<td>$593,820</td>
<td>$670,269</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawyers</td>
<td>410,260</td>
<td>398,204</td>
</tr>
<tr>
<td>Community workers</td>
<td>27,779</td>
<td>21,809</td>
</tr>
<tr>
<td>Payroll tax / Fringe benefits</td>
<td>93,622</td>
<td>97,816</td>
</tr>
<tr>
<td>Clerical and others</td>
<td>113,704</td>
<td>3,671</td>
</tr>
<tr>
<td>Space and Occupancy</td>
<td>34,410</td>
<td>69,632</td>
</tr>
<tr>
<td>Equipment rent and related</td>
<td>3,221</td>
<td>5,211</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>16,259</td>
<td>23,877</td>
</tr>
<tr>
<td>Telephone</td>
<td>13,788</td>
<td>22,583</td>
</tr>
<tr>
<td>Training</td>
<td>14,850</td>
<td>16,326</td>
</tr>
<tr>
<td>Library</td>
<td>6,343</td>
<td>10,062</td>
</tr>
<tr>
<td>Insurance</td>
<td>406</td>
<td>5,737</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>6,388</td>
<td>7,930</td>
</tr>
<tr>
<td>Other expense</td>
<td>505</td>
<td>9,420</td>
</tr>
<tr>
<td>Litigation Cost</td>
<td>7,829</td>
<td>17,463</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$749,364</td>
<td>$709,741</td>
</tr>
<tr>
<td>Total PAI expenses over the requirement threshold</td>
<td>$155,545</td>
<td>$39,472</td>
</tr>
</tbody>
</table>
11. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak in 2020 has led to severe disruptions and uncertainty in the global supply chain, capital markets and economies, and those disruptions have since intensified and will likely continue for some time. Concern about the potential effects of COVID-19 and the effectiveness of measures being put in place by global governmental bodies and reserve banks at various levels as well as by private organizations to contain or mitigate its spread have adversely affected economic conditions and capital markets globally, and have led to unprecedented volatility in the financial markets. The duration is currently expected to be temporary, however there is uncertainty around the duration. While CRLA expects this matter to negatively impact its results of operations and financial position, the related impact including the amount of potential impairment of assets, cannot be reasonably estimated at this time.

CRLA applied for and received a loan in the amount of $2,250,000, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program. This loan may be forgiven partially or in total based on meeting eligibility requirements.
CALIFORNIA RURAL LEGAL ASSISTANCE, INC.
SCHEDULE OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR LEGAL SERVICES CORPORATION FUNDS
For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Revenue and support</th>
<th>Basic</th>
<th>Migrant</th>
<th>Pro Bono</th>
<th>Innovation</th>
<th>Grant</th>
<th>2017 LSC Waive</th>
<th>2018 LSC Waive</th>
<th>Total</th>
<th>Property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant revenue</td>
<td>$ 4,750,556</td>
<td>$ 3,086,473</td>
<td>$ 93,010</td>
<td></td>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ 7,930,039</td>
<td>$ -</td>
<td>$ 7,930,039</td>
</tr>
<tr>
<td>Attorney fees and costs recovery</td>
<td>163,091</td>
<td>421,570</td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ 584,661</td>
<td>$ -</td>
<td>$ 584,661</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>$ 4,913,647</td>
<td>$ 3,508,043</td>
<td>$ 93,010</td>
<td></td>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ 8,514,700</td>
<td>$ -</td>
<td>$ 8,514,700</td>
</tr>
</tbody>
</table>

| Expenses:          |       |         |          |            |       |                |                |       |          |       |
| Salaries and wages | 3,057,503 | 1,470,438 | 49,725   |            |       | 601,261        |                | 5,178,927 | -        | 5,178,927 |
| Employee benefits  | 886,775 | 274,454 | 10,072   |            |       |                |                | 1,171,301 | -        | 1,171,301 |
| Payroll taxes      | 268,357 | 101,140 | 4,494    |            |       |                |                | 373,991   | -        | 373,991 |
| Total personnel costs | 4,212,635 | 1,846,032 | 64,291   |            |       | 601,261        |                | 5,724,219 | -        | 5,724,219 |
| Space and occupancy| 226,826 | 117,711 | -        | 3,815      | -     |                |                | 348,352   | -        | 348,352 |
| Facilities         | 78,568 | 53,135  | 345      | 1,700      | -     |                |                | 133,748   | -        | 133,748 |
| Professional fees  | 118,435 | 33,876  | 1,983    | 27,102     | -     |                |                | 191,396   | -        | 191,396 |
| Travel             | 144,070 | 81,787  | 15,467   | 3,919      | -     |                |                | 245,243   | -        | 245,243 |
| Supplies and materials | 120,658 | 76,582  | 1,628    | 596        | -     |                |                | 199,459   | -        | 199,459 |
| Library            | 44,644 | 25,077  | -        | 21,000     | -     |                |                | 90,721    | -        | 90,721 |
| Miscellaneous      | 122,463 | 52,484  | -        | 52,382     | -     |                |                | 227,329   | (41,851) | 185,478 |
| Telecommunications | 156,804 | 74,759  | 1,827    | -          | -     |                |                | 233,390   | -        | 233,390 |
| Insurance          | 53,809 | 24,479  | 745      | -          | -     |                |                | 79,033    | -        | 79,033 |
| Equipment rent and related | 38,966 | 14,487  | 628      | 3,450      | -     |                |                | 57,531    | -        | 57,531 |
| Memberships        | 13,836 | 21,918  | 296      | -          | -     |                |                | 36,050    | -        | 36,050 |
| Training           | 49,674 | 9,084   | 233      | 70,190     | -     |                |                | 129,181   | -        | 129,181 |
| Interest           | 8,455 | 2,596   | -        | -          | -     |                |                | 11,051    | -        | 11,051 |
| Depreciation       | -     | -       | -        | -          | -     |                |                | 19,258    | -        | 19,258 |
| Litigation         | 60,647 | 28,841  | 203      | 300        | -     |                |                | 89,991    | -        | 89,991 |
| Total              | 5,450,485 | 2,462,848 | 87,646   | 785,715     | -     | 8,786,694      | (22,593)      | 8,764,101 | -        | 8,764,101 |
| Interfund transfers | -     | 912,011 | -        |            | (912,011) | - |                |                | - | - | - |
| Total expenses     | 5,450,485 | 3,374,859 | 87,646   | 785,715     | (912,011) | 8,786,694      | (22,593)      | 8,764,101 | -        | 8,764,101 |

| Change in net assets |       |         |          |            |       |                |                |       |          |       |
| (536,838)            | 133,184 | 5,364   | (785,715) | 912,011    | (271,994) | 22,593         | (249,401)      |       |          |       |

| Net assets, beginning of year |       |         |          |            |       |                |                |       |          |       |
| 552,409               | 1,218,734 | 20,635  | 785,715  |            | 2,577,493 | 126,947        | 2,704,440      |       |          |       |

| Net assets, end of year | $ 15,571 | $ 1,351,918 | $ 25,999 | $ - | $ 912,011 | $ 2,305,499 | $ 149,540 | $ 2,455,039 |       |
### Schedule of Property and Equipment

**December 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Non-LSC</th>
<th>LSC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$2,242,873</td>
<td>$549,899</td>
<td>$2,792,772</td>
</tr>
<tr>
<td>Land</td>
<td>791,250</td>
<td>166,740</td>
<td>957,990</td>
</tr>
<tr>
<td>Building improvements</td>
<td>814,335</td>
<td>349,138</td>
<td>1,163,473</td>
</tr>
<tr>
<td>Law library</td>
<td>-</td>
<td>391,111</td>
<td>391,111</td>
</tr>
<tr>
<td>Office equipment</td>
<td>207,176</td>
<td>46,178</td>
<td>253,354</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>57,775</td>
<td>-</td>
<td>57,775</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>84,579</td>
<td>-</td>
<td>84,579</td>
</tr>
<tr>
<td></td>
<td><strong>4,197,988</strong></td>
<td><strong>1,503,066</strong></td>
<td><strong>5,701,054</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(1,641,451)</td>
<td>(1,188,674)</td>
<td>(2,830,125)</td>
</tr>
<tr>
<td></td>
<td><strong>$2,556,537</strong></td>
<td><strong>$314,392</strong></td>
<td><strong>$2,870,929</strong></td>
</tr>
<tr>
<td>Federal Grantor/Pass-through Grantor/Program Title</td>
<td>Pass-through Entity Identifying Number</td>
<td>Award Identifier Number</td>
<td>Federal CFDA Number</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>-------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Legal Services Corporation:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Legal Services for Low Income - Basic</td>
<td>N/A</td>
<td>805260</td>
<td>09.80526</td>
</tr>
<tr>
<td>Direct Legal Services for Low Income - Migrant</td>
<td>N/A</td>
<td>805260</td>
<td>09.80526</td>
</tr>
<tr>
<td>Pro Bono Innovation Fund</td>
<td>N/A</td>
<td>805260</td>
<td>09.80526</td>
</tr>
<tr>
<td>2017 Waiver</td>
<td>N/A</td>
<td>805260</td>
<td>09.80526</td>
</tr>
<tr>
<td>Total Legal Services Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Labor - Occupational Safety &amp; Health:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Susan Harwood Training Grant - Heat Stress Prevention</td>
<td>N/A</td>
<td>SH050075SH8</td>
<td>17.502</td>
</tr>
<tr>
<td>Total U.S. Department of Labor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Housing &amp; Urban Development:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Housing Enforcement Program</td>
<td>N/A</td>
<td>FPEI9005</td>
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<tr>
<td>Education Outreach Program</td>
<td>N/A</td>
<td>FEOI19004</td>
<td>14.418</td>
</tr>
<tr>
<td>Total U.S. Department of Housing &amp; Urban Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pass Through Awards:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the California Governor's Office of Emergency Services</td>
<td>001-90018-00</td>
<td>KL17011211</td>
<td>16.575</td>
</tr>
<tr>
<td>Total Department of Justice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures of Federal Awards</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of California Rural Legal Assistance, Inc. (CRLA) under the programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CRLA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CRLA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

CRLA did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
INDEPENDENT AUDITOR’S 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 of
California Rural Legal Assistance, Inc.

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 California Rural Legal Assistance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Rural Legal Assistance, Inc.’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 California Rural Legal Assistance, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of California Rural Legal Assistance, Inc.’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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Item 2019-001 that we consider to be a significant deficiency.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Rural Legal Assistance’s financial statements are free from material misstatements, 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 of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objection 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.

CRLA’S Response to the Findings

CRLA’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CRLA’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 CRLA’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 CRLA’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SQUAR MILNER LLP

San Francisco, California
May 28, 2020
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
California Rural Legal Assistance, Inc.

Report on Compliance for Each Major Federal Program

We have audited California Rural Legal Assistance, Inc.’s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the LSC Audit Guide and the Compliance Supplement for Audits of LSC Recipients that could have a direct and material effect on each of California Rural Legal Assistance, Inc.’s major federal programs for the year ended December 31, 2019. California Rural Legal Assistance, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of California Rural Legal Assistance, Inc.’s compliance.

Opinion on Each Major Federal Program

In our opinion, California Rural Legal Assistance, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

SQUAR MILNER LLP

San Francisco, California
May 28, 2020
SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of California Rural Legal Assistance, Inc. (CRLA) were prepared in accordance with GAAP.

2. No material weaknesses relating to the audit of the financial statements are reported. However, deficiencies in internal control over financial reporting were identified that are considered to be a significant deficiency at finding 2019-001.

3. No instances of noncompliance material to the financial statement of CRLA, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award program.

5. The auditor’s report on compliance for the major federal award program for California Rural Legal Assistance, Inc. expresses an unmodified opinion.

6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.

7. The programs tested as major programs were:

   CFDA Number        09.80526
   Name of Federal Program  Direct Legal Services for Low Income

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. California Rural Legal Assistance, Inc. did not qualify as a low-risk auditee.
FINANCIAL STATEMENT FINDINGS

2019-001 – Account Reconciliations and Functional Allocation of Expenses:

Condition: During the audit, we noted that certain accounts, including restricted net assets, contribution revenue, grant revenue, and payroll expense were not reconciled, nor adjusted to the correct balances until after the audit commenced. We also noted that expenses were not allocated by function or funding source until after year end.

Criteria: All material account balances should be reconciled in a timely manner each month and expenses should be allocated to funding sources, administration and fundraising at a minimum on a quarterly basis.

Effect: We experienced delays in the completion of the audit.

Cause: While CRLA was able to reconcile all of its accounts during an extended year-end close process, they did not have processes in place to maintain the books in accordance with generally accepted accounting principles and to ensure that the accounts were reconciled each month.

Recommendation: CRLA should adopt a policy requiring monthly reconciliation of all accounts by personnel with adequate accounting experience and knowledge to ensure the accuracy of the monthly financial statements. Timely reconciliations can help quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed.

Views of Responsible Officials and Planned Correction Action: Management agrees with the finding presented by the auditors. Management has taken the following actions already to meet this standard:

- Migration the organization to all cloud-based such as Intacct (Accounting and Financial Reporting System), Expensify (Employee Reimbursement and Credit Card Expense Management System), Bill.com (Accounts Payable Management) and AssetEdge (Fixed Asset Management System).
- Reorganization of the Finance & Accounting department in order to move towards meeting monthly accounting close practices and quarterly allocation frequencies for 2020 while maintaining all audit schedules to improve the quality and timeliness of the close process in preparation for closing the 2020 year and avoiding delays with the audit firm in the future.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS

None
FINANCIAL STATEMENT FINDINGS

2018-001 – Account Reconciliations:

Finding: During the audit, we noted that certain accounts, including grants receivable, notes payable, fixed assets, deferred revenue, and deferred rent were not reconciled on a monthly basis nor adjusted to the correct balances at year end.

Recommendation: CRLA should adopt a policy requiring monthly reconciliation of all balance sheet accounts by personnel with adequate accounting experience and knowledge to ensure the accuracy of the monthly financial statements. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed.

Current Status: A similar finding was noted in the current year audit. See finding 2019-001.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD

2018-002 – Lack of Sufficient Timekeeping:

Condition: During the audit, we noted that accurate time sheets were not maintained for attorney and community workers and that approvals were not consistently documented. Additionally, timesheets often did not properly allocate time to the appropriate funding codes. As a result, we could not identify adequate timesheet support for payroll allocations across all funding sources.

Recommendation: CRLA should train employees on appropriate time keeping, inactivate old projects from the time system, ensure that everyone submits their time each month, and ensure that all time entered is approved. The resulting time entry should be used as the basis for allocating payroll costs.

Current Status: During the current year audit we noted that accurate time records for attorney and community workers were maintained, and that approvals were consistently documented. Furthermore, we observed that time records properly allocated time to the appropriate funding code. We consider this matter closed.

2018-003 – Allocation of personnel and non-personnel costs:

Condition: During the audit, we noted that personnel and non-personnel costs were not allocated on a timely basis among programs and supporting services, including the major federal program. We also noted that payroll allocated to programs was not sufficiently supported by approved time sheets.
FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD (continued)

2018-003 – Allocation of personnel and non-personnel costs (continued)

**Recommendation:** CRLA should hire as necessary to ensure that the books and records are maintained in accordance with generally accepted accounting principles and are reconciled monthly. Duties should include allocating expenses to funding sources, administration and fundraising.

CRLA should also train employees on appropriate time keeping, inactivate old projects from the time system, ensure that everyone submits their time each month, and ensure that all time entered is approved. The resulting time entry should be used as the basis for allocating payroll costs.

**Current Status:** During the current year audit, we noted that personnel and non-personnel costs were allocated on a timely basis among programs and supporting services, including the major federal program. We also noted that payroll allocated to programs was sufficiently supported by approved timesheets. We consider this matter closed.