



Reports of Independent Auditors  
and Financial Statements

**California Rural Legal Assistance, Inc.**

December 31, 2024 and 2023

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## **Report of Independent Auditors**

The Board of Directors  
California Rural Legal Assistance, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of California Rural Legal Assistance, Inc., which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California Rural Legal Assistance, Inc., as of December 31, 2024 and 2023, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Rural Legal Assistance, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Rural Legal Assistance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Rural Legal Assistance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Rural Legal Assistance, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



San Francisco, California

April 29, 2025

## **Financial Statements**

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**California Rural Legal Assistance, Inc.**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

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	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,725,854	\$ 12,817,253
Client trust funds	187,744	122,635
Grants receivable	914,007	1,346,720
Other receivables	-	39,027
Investments, current portion	8,273,939	6,117,392
Prepaid expenses	<u>367,538</u>	<u>275,380</u>
Total current assets	<u>18,469,082</u>	<u>20,718,407</u>
<b>NONCURRENT ASSETS</b>		
Property and equipment, net	5,440,763	2,872,737
Operating lease right-of-use assets	1,032,340	800,300
Pledges receivable, long-term	32,791	18,250
Deposits	38,591	47,591
Investments, net of current portion	<u>-</u>	<u>370,000</u>
Total noncurrent assets	<u>6,544,485</u>	<u>4,108,878</u>
Total assets	<u><u>\$ 25,013,567</u></u>	<u><u>\$ 24,827,285</u></u>

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See accompanying notes to financial statements.

**California Rural Legal Assistance, Inc.**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,008,626	\$ 485,543
Notes payable, current portion	67,843	70,147
Accrued salaries	981	741,313
Accrued vacation	974,931	874,726
Other accrued liabilities	99,533	46,572
Client trust funds payable	187,744	122,635
Deferred rental income, current portion	17,240	18,056
Operating lease liabilities, current portion	373,411	353,642
Refundable advances	<u>4,629,794</u>	<u>6,776,235</u>
Total current liabilities	<u>7,360,103</u>	<u>9,488,869</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rental income, net of current portion	11,645	21,457
Operating lease liabilities, net of current portion	406,328	461,440
Notes payable, net of current portion	<u>730,060</u>	<u>797,919</u>
Total noncurrent liabilities	<u>1,148,033</u>	<u>1,280,816</u>
Total liabilities	<u>8,508,136</u>	<u>10,769,685</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Available for operations	6,099,202	3,822,248
Board-designated - Jose Padilla Fellowship Fund	508,310	500,000
Board-designated reserve	<u>9,259,544</u>	<u>8,292,533</u>
Total without donor restrictions	15,867,056	12,614,781
With donor restrictions	<u>638,375</u>	<u>1,442,819</u>
Total net assets	<u>16,505,431</u>	<u>14,057,600</u>
Total liabilities and net assets	<u><u>\$ 25,013,567</u></u>	<u><u>\$ 24,827,285</u></u>

See accompanying notes to financial statements.

**California Rural Legal Assistance, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE, AND OTHER INCOME</b>						
Grant revenue	\$ 348,949	\$ 29,419,908	\$ 29,768,857	\$ 5,094,593	\$ 24,594,546	\$ 29,689,139
Contributions	270,361	122,001	392,362	198,696	118,479	317,175
In-kind contributions	1,605,607	-	1,605,607	43,125	-	43,125
Attorney's fees and cost recovery	-	283,704	283,704	-	214,406	214,406
Cy pres awards	1,704,267	-	1,704,267	3,195,590	-	3,195,590
Other revenue	143,954	-	143,954	3,806	106,892	110,698
Investment income, net	1,381,109	-	1,381,109	727,836	-	727,836
Net assets released from restrictions	30,630,057	(30,630,057)	-	25,489,613	(25,489,613)	-
 Total support, revenue, and other income	 36,084,304	 (804,444)	 35,279,860	 34,753,259	 (455,290)	 34,297,969
<b>FUNDRAISING EVENTS</b>						
Revenues from special events	121,669	-	121,669	116,210	-	116,210
Less cost of direct benefits to attendees	(9,628)	-	(9,628)	(8,775)	-	(8,775)
 Total fundraising events	 112,041	 -	 112,041	 107,435	 -	 107,435
 Total support, revenue, and other income, and fundraising events	 36,196,345	 (804,444)	 35,391,901	 34,860,694	 (455,290)	 34,405,404
<b>EXPENSES</b>						
Program services	25,112,131	-	25,112,131	20,813,261	-	20,813,261
Management and general	6,875,794	-	6,875,794	5,663,571	-	5,663,571
Fundraising	956,145	-	956,145	804,290	-	804,290
 Total expenses	 32,944,070	 -	 32,944,070	 27,281,122	 -	 27,281,122
<b>CHANGES IN NET ASSETS</b>	 3,252,275	 (804,444)	 2,447,831	 7,579,572	 (455,290)	 7,124,282
<b>NET ASSETS, beginning of year</b>	 12,614,781	 1,442,819	 14,057,600	 5,035,209	 1,898,109	 6,933,318
<b>NET ASSETS, end of year</b>	 <u>\$ 15,867,056</u>	 <u>\$ 638,375</u>	 <u>\$ 16,505,431</u>	 <u>\$ 12,614,781</u>	 <u>\$ 1,442,819</u>	 <u>\$ 14,057,600</u>

See accompanying notes to financial statements.



**California Rural Legal Assistance, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2024 and 2023**

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 16,391,645	\$ 2,799,875	\$ 661,156	\$ 19,852,676	\$ 13,688,480	\$ 2,527,014	\$ 563,189	\$ 16,778,683
Payroll taxes and fringe benefits	3,739,643	1,592,675	143,435	5,475,753	3,368,006	1,240,367	138,551	4,746,924
Occupancy	393,646	363,944	10,227	767,817	811,262	309,037	12,251	1,132,550
Professional fees	307,897	576,173	25,715	909,785	544,504	438,878	3,783	987,165
Travel	232,336	105,110	33,627	371,073	452,152	246,771	31,623	730,546
Office supplies	203,746	121,912	10,909	336,567	373,560	123,590	4,753	501,903
Program expenses	521,850	31,870	15,049	568,769	336,353	6,565	850	343,768
Dues and subscriptions	145,326	231,063	10,376	386,765	154,718	170,181	9,233	334,132
Telecommunication	133,864	116,332	1,942	252,138	238,238	39,617	6,101	283,956
Utilities	109,933	105,382	2,826	218,141	185,941	26,444	4,157	216,542
Subgrant	346,177	-	-	346,177	185,001	-	-	185,001
Conferences, conventions, and meetings	357,971	242,169	8,317	608,457	105,691	72,946	6,112	184,749
Depreciation expense	21,585	239,402	684	261,671	406	179,658	9	180,073
Other expenses	86,742	29,165	2,502	118,409	44,925	45,719	3,693	94,337
Printing and publications	279,201	17,394	13,322	309,917	124,501	31,230	3,887	159,618
Insurance	107,983	208,191	3,643	319,817	50,898	93,016	1,715	145,629
Meals and entertainment	55,365	12,524	3,697	71,586	65,338	20,100	6,465	91,903
Interest	92	47,310	-	47,402	1,204	50,805	-	52,009
Postage and delivery	37,120	4,599	2,155	43,874	32,240	14,902	1,861	49,003
Advertising	31,310	10,377	6,423	48,110	5,633	12,282	2,550	20,465
Finance charges	3,722	20,327	140	24,189	1,085	14,449	3,507	19,041
Donated professional services	1,604,977	-	-	1,604,977	43,125	-	-	43,125
	<u>\$ 25,112,131</u>	<u>\$ 6,875,794</u>	<u>\$ 956,145</u>	<u>\$ 32,944,070</u>	<u>\$ 20,813,261</u>	<u>\$ 5,663,571</u>	<u>\$ 804,290</u>	<u>\$ 27,281,122</u>

See accompanying notes to financial statements.

**California Rural Legal Assistance, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,447,831	\$ 7,124,282
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	261,671	180,073
Amortization of operating lease right-of-use assets	279,692	372,603
Investment gains, net	(1,371,631)	(220,362)
Changes in operating assets and liabilities		
Grants receivable	432,713	347,374
Pledges receivable	(14,541)	39,412
Other receivables	39,027	899
Prepaid expenses and deposits	(83,158)	(109,618)
Operating lease right-of-use assets	(28,795)	-
Accounts payable	523,083	164,794
Accrued liabilities	(587,166)	333,140
Deferred rental income	(10,628)	(13,401)
Operating lease liabilities	(518,280)	(284,857)
Deferred revenue	(2,146,441)	741,577
Client trust funds payable	65,109	(17,601)
Net cash (used in) provided by operating activities	<u>(711,514)</u>	<u>8,658,315</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(2,829,697)	(225,202)
Proceeds from sale of investments	9,381,468	482
Purchase of investments	<u>(9,796,384)</u>	<u>(6,267,512)</u>
Net cash used in investing activity	<u>(3,244,613)</u>	<u>(6,492,232)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on notes payable	<u>(70,163)</u>	<u>(74,131)</u>
Net cash used in financing activity	<u>(70,163)</u>	<u>(74,131)</u>
CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(4,026,290)	2,091,952
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>12,939,888</u>	<u>10,847,936</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 8,913,598</u>	<u>\$ 12,939,888</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	<u>\$ 47,402</u>	<u>\$ 52,009</u>
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 334,475</u>
RECONCILIATION OF TOTALS IN THE STATEMENTS OF CASH FLOWS TO RELATED CAPTIONS IN THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 8,725,854	\$ 12,817,253
Client trust funds	<u>187,744</u>	<u>122,635</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 8,913,598</u>	<u>\$ 12,939,888</u>

See accompanying notes to financial statements.

# California Rural Legal Assistance, Inc.

## Notes to Financial Statements

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### **Note 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 that 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 16 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.

Nonmanagement 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 (U.S. 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. At December 31, 2024 and 2023, CRLA 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). If any of the financial institutions with whom CRLA does business were to be placed into receivership with the Federal Deposit Insurance Corporation (FDIC), CRLA may be unable to access the cash it has on deposit with such institutions. If CRLA was unable to access its cash and cash equivalents as needed, CRLA's financial position and ability to operate its business could be adversely affected. CRLA has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Grants receivable** – Grants receivable represent balances due from various foundations and governmental and nongovernmental 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, 2024 and 2023, CRLA determined that the grants receivable were fully collectible.

## California Rural Legal Assistance, Inc.

### Notes to Financial Statements

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**Pledges receivable** – 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, 2024 and 2023, CRLA had outstanding pledges receivable in the amount of \$32,791 and \$18,250, respectively.

**Investments** – Investments, consisting of fixed-income securities and equity funds at December 31, 2024, are recorded at fair value, which is based upon quoted market prices. Income from gains and losses is shown net of external and direct internal expenses and reported as follows:

- Increases or decreases in net assets with donor restrictions if the terms of the gift or CRLA's interpretation of relevant state law requires they be added to the principal of a net asset with donor restrictions.
- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.
- Increases or decreases in net assets without donor restrictions in all other cases.
- Investments held in equity funds have been determined by management to be less liquid and are intended to be held for an extended period of time by CRLA, and as such, have been classified as noncurrent on the statements of financial position.

**Leases** – Transactions give rise to leases when CRLA receives substantially all of the economic benefits from, and has the ability to direct, the use of the specified property and equipment. CRLA primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities, less current portions in the statements of financial position.

Operating lease right-of-use assets represent the right to use an underlying asset for the term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, CRLA uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended.

CRLA has agreements with lease and nonlease components, such as common area maintenance, and has elected to account for the lease and nonlease components as separate components. CRLA has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

## California Rural Legal Assistance, Inc.

### Notes to Financial Statements

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**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. CRLA regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair value or discounted estimates of future cash flows. CRLA has not identified any such impairment losses to date.

Property and equipment acquired with federal funds or Legal Services Corporation (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 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 years ended December 31, 2024 and 2023, CRLA received donated professional services in the amount of \$1,605,607 and \$43,125, respectively.

**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 (IRC) 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 IRC 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.

## California Rural Legal Assistance, Inc.

### Notes to Financial Statements

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**Use of estimates** – The preparation of financial statements in conformity with U.S. GAAP 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU No. 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. A receivable is recognized for revenue earned under the terms of the agreements in excess of cash advances. Conversely, refundable advances are recorded when advances exceed revenue earned.

CRLA recognizes contributions when cash or other assets or an unconditional promise to give is received. Conditional promises to give—that is, those with a measurable performance barrier and a right of return—are not recognized until the conditions on which they depend have been met.

Revenue recognition from attorney's fee awards is evaluated under FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, 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 obligation is satisfied.

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.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, CRLA was eligible for a refundable employee retention credit subject to certain criteria. For the year ended December 31, 2023, CRLA has determined that it met the terms and conditions of these funds and, accordingly, has recognized \$1,260,264 in employee retention credit, which is included in grant revenue on the statement of activities.

# California Rural Legal Assistance, Inc.

## Notes to Financial Statements

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### Note 2 – Liquidity and Availability of Financial Assets

CRLA's primary sources of revenue are revenue received from the State Bar of California, Legal Services Corporation (LSC), and from other 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.

In addition, CRLA has Board-designated reserve funds, which are set aside by the Board of Directors to ensure the financial stability of the organization. These funds are intended to assist in covering operations should the need arise, and while they are designated for specific purpose, the Board has the discretion to use them to support general operations if necessary. The reserve fund is a strategic measure to safeguard the organization against unexpected financial challenges and to provide liquidity in times of operational need.

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

	2024	2023
Financial assets at December 31		
Cash and cash equivalents	\$ 8,725,854	\$ 12,817,253
Grants receivable	914,007	1,346,720
Other receivables	-	39,027
Investments, current portion	8,273,939	6,117,392
Total financial assets	<u>17,913,800</u>	<u>20,320,392</u>
Less amounts not available to be used within one year		
Donor-restricted net assets	638,375	1,442,819
Board-designated - Jose Padilla Fellowship Fund	508,310	500,000
Board-designated net assets	<u>9,259,544</u>	<u>8,292,533</u>
	<u>10,406,229</u>	<u>10,235,352</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 7,507,571</u></u>	<u><u>\$ 10,085,040</u></u>

### Note 3 – Grants Receivable

Grants receivable as of December 31 consisted of the following:

	2024	2023
Receivable in one year or less	<u><u>\$ 914,007</u></u>	<u><u>\$ 1,346,720</u></u>

**California Rural Legal Assistance, Inc.**  
**Notes to Financial Statements**

**Note 4 – Property and Equipment, Net**

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

	2024		
	Non-LSC	LSC	Total
Building	\$ 4,109,688	\$ 549,899	\$ 4,659,587
Building improvements	1,078,352	655,657	1,734,009
Law library	-	391,111	391,111
Furniture and equipment	387,581	-	387,581
Office equipment	62,522	46,178	108,700
Construction in progress	235,199	50,000	285,199
Leasehold improvements	107,508	-	107,508
	5,980,850	1,692,845	7,673,695
Less accumulated depreciation and amortization	(2,276,223)	(1,347,381)	(3,623,604)
	3,704,627	345,464	4,050,091
Land	1,223,932	166,740	1,390,672
Total	<u>\$ 4,928,559</u>	<u>\$ 512,204</u>	<u>\$ 5,440,763</u>

  

	2023		
	Non-LSC	LSC	Total
Building	\$ 2,242,873	\$ 549,899	\$ 2,792,772
Building improvements	1,061,350	586,938	1,648,288
Law library	-	391,111	391,111
Furniture and equipment	240,207	-	240,207
Office equipment	57,522	46,178	103,700
Leasehold improvements	100,601	-	100,601
	3,702,553	1,574,126	5,276,679
Less accumulated depreciation and amortization	(2,055,740)	(1,306,192)	(3,361,932)
	1,646,813	267,934	1,914,747
Land	791,250	166,740	957,990
Total	<u>\$ 2,438,063</u>	<u>\$ 434,674</u>	<u>\$ 2,872,737</u>

For the years ended December 31, 2024 and 2023, depreciation and amortization expense was \$261,671 and \$180,073, respectively.

**Note 5 – Investments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.



# California Rural Legal Assistance, Inc.

## Notes to Financial Statements

The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities. Fixed income bond funds and equity securities are valued using quoted market price;

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following summarizes the composition of investments, at fair value, at December 31, 2024 and 2023:

		2024			
		Total	Level 1	Level 2	Level 3
Investments					
Fixed-income securities	\$	2,707,031	\$ 2,707,031	\$ -	\$ -
Equity funds		5,566,908	5,566,908	-	-
Total investments	\$	<u>8,273,939</u>	<u>\$ 8,273,939</u>	<u>\$ -</u>	<u>\$ -</u>
		2023			
		Total	Level 1	Level 2	Level 3
Investments					
Fixed-income securities	\$	6,117,392	\$ 6,117,392	\$ -	\$ -
Equity funds		370,000	370,000	-	-
Total investments	\$	<u>6,487,392</u>	<u>\$ 6,487,392</u>	<u>\$ -</u>	<u>\$ -</u>

### Note 6 – Notes Payable

Notes payable, net consisted of the following at December 31:

	2024	2023
Note payable to a bank, secured by a deed of trust. Interest at 5.68% and monthly payments of \$9,285 including principal and interest, due March 2034.	\$ 797,903	\$ 862,008
Note payable to a bank, secured by a deed of trust. Interest at 8.25% and monthly payments of \$1,226 including principal and interest. The note payable was fully paid off in May 2024.	-	6,058
	797,903	868,066
	(67,843)	(70,147)
Less current portion	<u>\$ 730,060</u>	<u>\$ 797,919</u>

**California Rural Legal Assistance, Inc.**  
**Notes to Financial Statements**

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Annual maturities of the notes payable are as follows:

Years Ending December 31,	
2025	\$ 67,843
2026	71,656
2027	75,834
2028	80,414
2029	84,934
Thereafter	<u>417,222</u>
	<u><u>\$ 797,903</u></u>

**Note 7 – Refundable Advances**

In accordance with the adoption of ASU No. 2018-08, CRLA is required to report refundable advances where there is both a barrier to entitlement and a right of return of the funds. Accordingly, \$4,481,416 and \$6,776,235 was recognized as refundable advances as of December 31, 2024 and 2023, respectively. These amounts are directly attributable to unspent grant funds received during the respective year.

Refundable advances as of December 31 were comprised of the following:

	<u>2024</u>	<u>2023</u>
LSC Basic 23	\$ -	\$ 377,292
LSC Migrant 23	226,592	1,810,110
LSC Basic 24	42,536	-
LSC Migrant 24	652,459	-
State of California grants	1,755,653	2,897,236
Other grants	<u>1,952,554</u>	<u>1,691,597</u>
	<u><u>\$ 4,629,794</u></u>	<u><u>\$ 6,776,235</u></u>

**Note 8 – Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31 were restricted for the following:

	<u>2024</u>	<u>2023</u>
Subject to purpose restrictions		
Civil legal services	\$ 157,822	\$ 982,976
LSC - property	264,273	267,934
Fellowships	<u>216,280</u>	<u>191,909</u>
	<u><u>\$ 638,375</u></u>	<u><u>\$ 1,442,819</u></u>

# California Rural Legal Assistance, Inc.

## Notes to Financial Statements

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For the years ended December 31, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
Civil legal services	\$ 30,588,903	\$ 25,454,268
LSC property	<u>41,154</u>	<u>35,345</u>
	<u>\$ 30,630,057</u>	<u>\$ 25,489,613</u>

### Note 9 – Operating Leases

CRLA leases various office facilities under various noncancelable operating lease arrangements in Coachella, Delano, Fresno, Modesto, San Luis Obispo, Santa Barbara, Santa Maria, Santa Rosa, Stockton, and Vista, California, expiring through July 2028.

The maturity and future minimum commitments of total operating lease obligations at December 31, 2024, are as follows:

Years Ending December 31,	
2025	\$ 373,411
2026	204,351
2027	138,484
2028	<u>76,032</u>
Total lease payments	792,278
Less present value discount	<u>(12,539)</u>
Operating lease liabilities	<u>\$ 779,739</u>

Lease expenses are recorded on a straight-line basis over the life of the lease as included in occupancy expense in the statements of activities. For the years ended December 31, 2024 and 2023, office rent expense was \$678,539 and \$599,299, and equipment rent expense was \$51,228 and \$48,458, respectively.

The following table includes supplemental lease information as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Lease term and discount rate		
Weighted-average remaining lease term (in years)	3.6	4.7
Weighted-average discount rate	1.18%	1.18%

# California Rural Legal Assistance, Inc.

## Notes to Financial Statements

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### Note 10 – 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 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 \$484,562 and \$373,646 to the plan for the years ended December 31, 2024 and 2023, respectively.

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.

### Note 11 – Private Attorney Involvement

CRLA is required by Legal Services Corporation (LSC) to devote at least 12.5% of LSC's basic grant to promote private attorney involvement (PAI). CRLA's PAI requirement and the related expenses during the years ended December 31, 2024 and 2023, are summarized below:

	2024	2023
Support		
LSC basic grant	\$ 6,310,053	\$ 6,310,053
LSC rate	12.50%	12.50%
PAI required threshold	<u>\$ 788,757</u>	<u>\$ 788,757</u>
Expenses		
Salaries and wages		
Lawyers	\$ 287,190	\$ 373,361
Clerical and others	253,395	215,627
Payroll tax/fringe benefits	178,013	176,311
Community workers	51,562	22,636
Space and occupancy	36,106	35,634
Telephone	7,813	10,671
Library	8,380	7,076
Insurance	6,192	5,097
Technology	9,400	8,510
Other expense	-	22,408
Program travel	-	5,270
Equipment rent and related	1,407	1,611
Supplies and materials	<u>-</u>	<u>100</u>
Total expenses	<u>839,458</u>	<u>884,312</u>
Total PAI expenses over the requirement threshold	<u>\$ 50,701</u>	<u>\$ 95,555</u>

## **California Rural Legal Assistance, Inc.**

### **Notes to Financial Statements**

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#### **Note 12 – Risks and Uncertainties**

At December 31, 2024, there were no significant outstanding legal actions or claims against CRLA. CRLA maintains various forms of insurance that its management believes are adequate to reduce the exposure to these risks to an acceptable level.

**Federal grants and contracts** – CRLA's grant and contract funding is subject to various risks, including changes in government policy and potential executive orders issued by the current federal administration. These recent executive orders may result in modifications, delays, or cancellations of such grant and contract funding that could adversely impact CRLA's ability to fulfill its commitments under existing grants and contracts.

CRLA has assessed these risks and believes that any potential impact from such executive orders is uncertain. The ultimate effect on CRLA's financial position and results of operations will depend on future governmental actions and the timing of their implementation. CRLA will continue to monitor developments related to these executive orders and will take appropriate actions as necessary.

**Federal regulation changes** – CRLA is in the process of evaluating new governmental policies and executive orders issued by the federal government and their impact on CRLA. This includes closely monitoring the recent federal directives, such as the guidance related to a potential change and/or reduction of indirect cost recovery for federally funded projects. To prepare for a potential reduction of indirect cost recovery, CRLA is currently exploring mitigation strategies such as diversifying funding sources and improving operational efficiencies.

#### **Note 13 – Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. CRLA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements.

CRLA has evaluated subsequent events through April 29, 2025, which is the date the financial statements were available to be issued.

