

**LEGAL AID FOUNDATION OF
SANTA BARBARA COUNTY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Nasif, Hicks, Harris & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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October 21, 2022

Independent Auditors' Report

Board of Directors
Legal Aid Foundation of Santa Barbara County, Inc.
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Santa Barbara County, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 Legal Aid Foundation of Santa Barbara County, Inc. as June 30, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Santa Barbara County, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 203,914	\$ 180,254
Cash held in trust	694,739	686,471
Contracts and grants receivable, net	608,083	323,532
Prepaid expenses and other assets	4,517	3,518
Total current assets	1,511,253	1,193,775
Improvements in progress	3,382	-
Property and equipment, net	260,241	255,348
Security deposits	4,025	2,725
TOTAL ASSETS	\$ 1,778,901	\$ 1,451,848
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 79,690	\$ 106,219
Accrued vacation payable	115,915	80,934
Amounts held in trust	470	-
Deferred revenue	-	19,020
Total current liabilities	196,075	206,173
Net assets:		
Without donor restrictions	1,004,728	1,007,870
With donor restrictions	578,098	237,805
Total net assets	1,582,826	1,245,675
TOTAL LIABILITIES AND NET ASSETS	\$ 1,778,901	\$ 1,451,848

The accompanying notes are an integral part of these financial statements

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Support and revenue:				
Donations	\$ 105,217	\$ -	\$ 105,217	\$ 45,977
Government grants	1,091,354	326,637	1,417,991	1,017,789
Private grants	41,628	95,000	136,628	35,000
Grants from Star Bar of California	301,790	495,970	797,760	658,387
Interest income	634	-	634	1,103
Loss on disposal of assets	-	-	-	(2,773)
In-kind legal service revenue	104,373	-	104,373	158,588
In-kind contributions	19,000	-	19,000	-
Total support and revenue	1,663,996	917,607	2,581,603	1,914,071
Net assets released from restrictions	577,314	(577,314)	-	-
Expenses:				
Program services	1,958,235	-	1,958,235	1,838,083
Support services:				
General and administrative	270,011	-	270,011	252,070
Fundraising	16,206	-	16,206	9,186
Total support services	286,217	-	286,217	261,256
Total expenses	2,244,452	-	2,244,452	2,099,339
Change in net assets	(3,142)	340,293	337,151	(185,268)
Net assets at beginning of year	1,007,870	237,805	1,245,675	1,430,943
NET ASSETS AT END OF YEAR	\$ 1,004,728	\$ 578,098	\$ 1,582,826	\$ 1,245,675

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

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 337,151	\$ (185,268)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	14,107	20,448
Loss on disposal of property and equipment	-	2,773
Donated property and equipment	(19,000)	-
Changes in operating assets and liabilities:		
Contracts and grants receivable, net	(284,551)	29,561
Prepaid expenses and other current assets	(999)	(1,907)
Security deposits	(1,300)	-
Accounts payable and accrued expenses	(26,529)	10,294
Accrued vacation payable	34,981	7,970
Amounts held in trust	470	(3,625)
Deferred revenue	(19,020)	13,303
Net cash provided (used) by operating activities	35,310	(106,451)
Cash flows from investing activities:		
Purchase of property and equipment	(3,382)	-
Net cash used by investing activities	(3,382)	-
Cash flow from financing activities:		
Payments on long-term debt	-	(42,870)
Net cash provided used by financing activities	-	(42,870)
Net increase (decrease) in cash and cash equivalents	31,928	(149,321)
Cash and cash equivalents at beginning of year	866,725	1,016,046
CASH, CASH EQUIVALENTS AND CASH HELD IN TRUST AT END OF YEAR	\$ 898,653	\$ 866,725
Supplemental Data:		
Interest paid	\$ 796	\$ 2,788

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

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2021)

Support Services						
	Program Services	General and Administrative	Fundraising	Total	Total June 30, 2022	Total June 30, 2021
Salaries and benefits	\$ 1,561,414	\$ 235,297	\$ 6,344	\$ 241,641	\$ 1,803,055	\$ 1,657,473
Contract services	-	12,577	-	12,577	12,577	14,786
Office expense	47,783	5,310	-	5,310	53,093	39,557
Equipment expense	65,110	7,234	-	7,234	72,344	46,006
Library expense	17,296	-	-	-	17,296	15,787
Dues and subscriptions	7,647	-	-	-	7,647	6,858
Insurance	20,527	2,281	-	2,281	22,808	24,565
Occupancy	72,778	5,901	-	5,901	78,679	67,325
Travel and meetings	3,433	-	-	-	3,433	2,358
Development	-	-	9,686	9,686	9,686	3,126
Direct client costs	45,354	-	-	-	45,354	42,462
Depreciation	12,520	1,411	176	1,587	14,107	20,448
In-kind legal services	104,373	-	-	-	104,373	158,588
Total at June 30, 2022	\$ 1,958,235	\$ 270,011	\$ 16,206	\$ 286,217	\$ 2,244,452	
Total at June 30, 2021	\$ 1,838,083	\$ 252,070	\$ 9,186	\$ 261,256		\$ 2,099,339

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

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1: Organization and Summary of Significant Accounting Policies

Organization

The Legal Aid Foundation of Santa Barbara County, Inc. ("LAF") is organized as a non-profit corporation to provide free legal advice, counsel and representation to low income residents of Santa Barbara County. Services include the areas of senior services, family, housing, and consumer law. A significant portion of revenues comes from government grants.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method, generally over their useful lives as follows:

Building and improvements	5 to 31.5 years
Furniture and equipment	5 years

Donor Restricted Support

Contributions are reported as "without" donor restrictions, or if contributions are received with donor stipulations that limit the use of the donated assets they are reported as "with" donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, "with" restriction net assets are reclassified as "without" restriction net assets and reported in the statement of activities as net assets released from restrictions.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1: Organization and Summary of Significant Accounting Policies - continued

Fair Value Measurements

Generally accepted accounting principles in the United States of America provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Quoted prices in active or inactive markets for the same or similar assets.

Level 3 - Estimates using the best information available when there is little or no market.

Level 1 and 3 inputs were not utilized in 2022. Level 2 inputs were used to determine the value of contributions in-kind, which are described below.

Contributions in-kind

Contributions in-kind consist of legal services provided by volunteer attorneys as well as less frequent donations of office supplies and assets. These contributions are recorded at their estimated fair value on a non-recurring basis at the time the services are performed or goods received.

Functional Expenses

The cost of providing LAF's programs have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they related to those functions.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments, with a maturity of three months or less when purchased, are considered to be cash equivalents.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1: Organization and Summary of Significant Accounting Policies - continued

Restricted cash consists of cash held in trust on behalf of clients' and cash designated as an operating reserve by the board of directors of LAF. The following table provides a reconciliation of cash, cash equivalents and restricted cash as of June 30,

	2022	2021
Cash and cash equivalents	\$ 203,914	\$ 180,254
Cash and cash equivalents held in trust	694,739	686,471
Total Cash, Cash Equivalents and Cash Held in Trust	\$ 898,653	\$ 866,725

Contracts and Grants Receivable

Contracts and grants receivable are stated at unpaid balance, less an allowance for doubtful account. LAF accounts for losses using the allowance method. The allowance is based on experience, third-party contracts and other circumstances which may affect the ability of the client to meet their obligation. It is LAF's policy to charge off uncollectible receivables when management determines the receivable will not be collected. No allowances were recorded for the years ended June 30, 2022 and 2021.

Revenue Recognition

LAF generates revenue primarily from the grants it receives from private foundations and government organizations. Revenue is recognized as services are performed or over the passage of time, depending on the stipulations of each grant agreement.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1: Organization and Summary of Significant Accounting Policies - continued

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unaffected by these reclassifications.

Note 2: Property and Equipment

Property and Equipment consisted of the following at June 30,

	2022	2021
Land	\$ 189,847	\$ 189,847
Building	84,021	84,021
Improvements	117,557	117,557
Furniture, equipment and software	48,026	29,026
Total	439,451	420,451
Less: accumulated depreciation	(179,210)	(165,103)
Property and Equipment, Net	\$ 260,241	\$ 255,348

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$14,107 and \$20,448 respectively.

Note 3: Board Designated Assets Without Restrictions

The Board of Directors has designated, from net assets without donor restrictions, \$200,000 as an operating reserve as of June 30, 2022. The purpose of the reserve is to help ensure the long-term stability of the organization and position it to respond to varying economic conditions.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022.

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Subject to expenditure of specified purpose:		
Program services	\$	250,447
Subject to passage of time:		
For periods after June 30, 2022		327,651
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Total	\$	578,098
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor.

Note 5: Liquidity and Availability of Financial Assets

The following reflects LAF's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

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Cash and cash equivalents	\$	898,653
Contacts and grants receivable		608,083
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Financial assets at year-end		1,506,736
Less those unavailable for general expenditure within one year, due to:		
Contractual donor-imposed restrictions:		
Donor-imposed purpose		(250,447)
Donor-imposed time of use		(327,651)
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Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	928,638
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LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 5: Liquidity and Availability of Financial Assets - continued

As part of LAF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditure, liabilities, and other obligations come due.

Note 6: Retirement Plan

In the year ended June 30, 2022, LAF implemented a defined contribution retirement plan ("the Plan") under Internal Revenue Code Section 408(k), which is administered by LAF and covers all employees, who are eligible to participate upon reaching 21 years of age and one year of service. Employer contributions are transferred into participants' individual retirement accounts or individual retirement annuities. Employer contributions to the Plan for the year ended June 30, 2022 were based on 2.5% of participant compensation and totaled \$34,554.

Note 7: Lease Commitments

LAF leases office space for its Santa Maria and Lompoc offices.

The Santa Maria lease ended per its fifth extension on June 30, 2022. In June 2022, the lease was extended per its sixth extension for two months to August 31, 2022. Under this extension, minimum lease payments are \$1,854 per month. In August 2022, the lease was extended per its seventh extension for 12 months to August 31, 2023. Under this extension, minimum lease payments are \$1,984 per month. The lease agreement includes the option to extend the lease term for one additional year with monthly payments based on a consumer price index adjustment.

The Lompoc lease was a month to month arrangement with payments of \$407. In April 2022, LAF relocated this office to a location in Lompoc with greater accessibility and improved amenities to better serve clients. This lease began May 1, 2022 and ends June 30, 2025. The first two months' payments of this lease were abated for necessary repairs to the property. Thereafter, lease payments range from \$1,300 per month to \$1,379 per month. The lease agreement includes two options each to extend the lease term for an additional three years with monthly payments based on a 3% annual increase.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 7: Lease Commitments - continued

Minimum rent commitments under all non-cancelable operating leases in affect at June 30, are as follows:

2023	\$	39,144
2024		20,035
2025		16,550
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Total Minimum Payments	\$	75,729

Rent expense for the years ended June 30, 2022 and 2021 was \$28,248 and \$27,132 respectively.

Note 8: Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, office expenses and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Note 9: Concentration of Credit Risk

Financial instruments which potentially subject LAF to concentrations of credit risk consist of cash and receivables. LAF places its cash with high credit quality financial institutions which may, at times, exceed federal insurance limits. LAF has not experienced any losses on such accounts. With respect to receivables, ongoing credit evaluations are performed and uncollectible amounts are written off as they become known.

Note 10: Contingencies

LAF receives contract revenue from government agencies. These contracts are subject to review and audit by the contracting agency. The potential exists for disallowance of program costs. The ultimate liability, if any, cannot be reasonably estimated thus there is no provision for the possible disallowance of program costs.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 11: Tax Status

LAF is generally exempt from income taxes, and gifts to LAF qualify for tax deductions under the Internal Revenue Code. The Foundation has favorable determination letters indicating it has qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Tax positions for the open tax years as of June 30, 2022 and 2021 were reviewed, and it was determined that no provision for uncertain tax positions is required.

Note 12: Subsequent Events

LAF has evaluated subsequent events through October 21, 2022, the date which the financial statements were available to be issued.