

SENIOR CITIZENS' LEGAL SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

To the Board of Directors
Senior Citizens' Legal Services
Santa Cruz, California

Opinion

We have audited the accompanying financial statements of Senior Citizens' Legal Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Citizens' Legal Services as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Correction of Error

As described in Note 9 to the financial statements, grants receivable and refundable advance were reported in error at June 30, 2021. Beginning net assets have been restated. Our opinion is not modified with respect to that matter.

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 Senior Citizens' Legal Services' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Senior Citizens' Legal Services' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Senior Citizens' Legal Services' 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.

Jonas + Piny, Inc.

Sacramento, CA
May 5, 2023

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF FINANCIAL POSITION JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$	338,873
Grants receivable		12,095
Property and equipment, net		-
Other assets		<u>1,639</u>
Total Assets	\$	<u>352,607</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	18,195
Credit cards payable		2,032
Accrued payroll and payroll taxes		11,733
Accrued vacation		<u>13,824</u>
Total Liabilities		<u>45,784</u>

Net Assets

Without donor restrictions		228,062
With donor restrictions		<u>78,761</u>
Total Net Assets		<u>306,823</u>

Total Liabilities and Net Assets	\$	<u>352,607</u>
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The accompanying notes are an integral part of these financial statements.

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Grants and contracts	\$ 542,557	\$ 209,868	\$ 752,425
Contributions	20,600	-	20,600
In-kind personnel	185,079	-	185,079
Special events, net	14,372	-	14,372
Investment income	38	-	38
Other revenue	145	-	145
Paycheck Protection Program income	45,090	-	45,090
Net assets released from restrictions	131,107	(131,107)	-
Total Revenue And Support	938,988	78,761	1,017,749
Expenses			
Program expenses	643,386	-	643,386
Management and general	137,131	-	137,131
Fundraising	34,729	-	34,729
Total Expenses	815,246	-	815,246
Increase In Net Assets	123,742	78,761	202,503
Net assets, beginning of the year (restated)	104,320	-	104,320
Net Assets, End Of The Year	\$ 228,062	78,761	\$ 306,823

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

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 263,091	\$ 72,080	\$ 25,227	\$ 360,398
Payroll taxes	22,410	6,140	2,148	30,698
Employee benefits	36,126	9,898	3,464	49,488
	<u>321,627</u>	<u>88,118</u>	<u>30,839</u>	<u>440,584</u>
Advertising and marketing	2,936	804	282	4,022
Bank fees	-	1,498	-	1,498
Client legal services	1,188	-	-	1,188
Computer expenses	1,515	415	146	2,076
Contract services	94,341	-	-	94,341
Dues and subscriptions	2,262	620	216	3,098
Equipment and maintenance	12,699	3,479	1,218	17,396
In-kind personnel	185,079	-	-	185,079
Insurance	-	3,355	-	3,355
Interest expense	-	230	-	230
Miscellaneous expenses	-	2,427	-	2,427
Office supplies	4,036	1,106	387	5,529
Printing and postage	445	122	43	610
Professional services	-	19,795	-	19,795
Rent	15,552	11,808	1,440	28,800
Telephone and utilities	1,706	1,296	158	3,160
Travel and meetings	-	2,058	-	2,058
	<u>\$ 643,386</u>	<u>\$ 137,131</u>	<u>\$ 34,729</u>	<u>\$ 815,246</u>

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

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Change in net assets	\$ 202,503
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets	
Grants receivable	(1,177)
Other assets	(139)
Increase (decrease) in operating liabilities	
Accounts payable	15,540
Credit cards payable	(5,726)
Accrued payroll and payroll taxes	(950)
Accrued vacation	3,878
Net cash provided by operating activities	<u>213,929</u>
Cash flows from financing activities	
Forgiveness of paycheck protection program loan	<u>(45,090)</u>
Net increase in cash and cash equivalents	168,839
Cash and cash equivalents, beginning of the year	<u>170,034</u>
Cash and cash equivalents, end of year	<u>\$ 338,873</u>
Supplemental Disclosures Of Cash Flow Information	
Cash paid during the year for interest	\$ 230
Cash paid during the year for income taxes	\$ -

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

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

Purpose

Senior Citizens' Legal Services (the Organization) was incorporated on October 27, 1980. The Organization is a California not-for-profit corporation whose purpose is providing legal assistance in non-criminal proceedings to persons 60 years or older who reside in Santa Cruz and San Benito Counties. The Organization provides free legal services to defend the rights of the elderly to quality housing, government benefits, and protection from exploitation and discrimination.

Basis of Presentation

The Organization prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that the donor restrictions were met in the year the contribution was received.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies - continued

Revenue and Revenue Recognition

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

Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America ("GAAP") 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 reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with original maturities of three months or less at acquisition and are not legally restricted.

Grants Receivable

Grants receivable consist of balances due on grant agreements. Management periodically evaluates the need for an allowance to reserve for uncollectible accounts.

No allowance for uncollectible grants receivable has been recorded as of June 30, 2022 because all receivables are expected to be collected in full during the year ending June 30, 2023.

Property and Equipment

Property and equipment is stated at cost, or if donated, at the estimated fair value on the date of the donation. Depreciation is computed using the straight-line method over useful lives ranging from 5 to 40 years. The Organization capitalizes property and equipment with an initial cost of \$1,500 or more, with the exception of computer equipment which is capitalized if over \$1,000, and an estimated useful life in excess of one year. There was no depreciation expense for the year ended June 30, 2022.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies - continued

Income Taxes

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The Organization is also exempt from state income taxes under provisions of the California Revenue and Taxation code section 23701(d). Accordingly, these financial statements contain no provision for Federal or California income taxes. The Organization believes that it has appropriate support for all tax positions taken, and does not have any uncertain tax positions that are material to the financial statements. The Organization's tax returns are subject to review through three years after the date of filing for federal and four years after the date of filing for State.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. Expenses that are not directly allocable to programs are allocated based on specific identification where possible to program, management and general, and fundraising expenses. For some expenses, allocations are based on estimates by management.

Contributed Services

The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year, a total of approximately 2,600 hours of donated legal service, valued at \$185,079, met the recognition criteria. In addition, volunteers donated significant amounts of time to the Organization's program services and fundraising activities that did not meet the recognition criteria.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing costs for the year ended June 30, 2022 were \$4,022.

Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) issued 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*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – continued

Recently Issued Accounting Standards

contributions (nonreciprocal transactions) or as an exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Organization adopted the new standard. The standard did not require a restatement of prior year amounts.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle under ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing GAAP. The Organization adopted the new standard. The standard did not require a restatement of prior year amounts.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The standard did not require a restatement of prior year amounts.

Recent Accounting Pronouncements Issued Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. Management does not expect this ASU to have a significant impact on the Organization’s financial statements.

2. Grants Receivable

Grants receivable as of June 30, 2022 is composed of:

County of Santa Cruz	\$	975
San Benito County		8,120
United Way of San Benito County		3,000
		<u>\$ 12,095</u>

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

3. Property and Equipment

Property and equipment consists of the following as of June 30, 2022:

Leasehold improvements	\$ 20,439
Furniture and equipment	<u>59,948</u>
	80,387
Accumulated depreciation	<u>(80,387)</u>
	<u>\$ -</u>

4. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 consist of the following:

Restricted for specific purposes	<u>\$ 78,761</u>
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For the year ended June 30, 2022, net assets released from restrictions were \$131,107.

5. Economic Dependency

The Organization received a majority of its support and revenue from Federal, State and local governments. To a large extent, the continued efficient operation of the Organization depends on the current level of support from these sources.

6. Client Trust Account

The Organization is responsible for maintaining a trust account for the purpose of holding client deposits for litigation costs. The trust balance at June 30, 2022 is \$2,012 and is not included in the Organization's assets. The Organization receives no income from the account and use of the funds for operating costs is strictly prohibited.

7. Paycheck Protection Program Income

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

7. Paycheck Protection Program Income - continued

In April 2021, the Organization was a beneficiary of the U.S. Small Business Administration's Paycheck Protection Program, securing a loan of \$45,090. The loan would be fully forgiven if the funds were used for payroll costs and utilities (at least 60% of the forgiven amount must have been used for payroll). During the year ended June 30, 2022, the Organization was legally released from the debt and it has been recorded as contribution income on the statement of activities.

8. Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	\$	338,873
Grants receivable		<u>12,095</u>
Financial assets available to meet cash needs for expenditures within one year	\$	<u>350,968</u>

The Organization regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

9. Correction of an Error

Net assets at June 30, 2021 have been restated because accounts receivable and refundable advance were erroneously reported.

These corrections resulted in the following restatement of net assets as of June 30, 2021:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Balance, June 30, 2021, as previously stated	\$ 151,129	\$ -	\$ 151,129
To adjust accounts receivable and refundable advance	<u>(46,809)</u>	<u>-</u>	<u>(46,809)</u>
Balance, June 30, 2021, restated	<u>\$ 104,320</u>	<u>\$ -</u>	<u>\$ 104,320</u>

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

10. Subsequent Events

Subsequent events were evaluated through May 5, 2023, which is the date the financial statements were available to be issued.

In November 2022, the Organization entered into a five year office space lease. The lease expires December 31, 2027. Future minimum rental payments under the lease agreements are as follows:

Year ending:	
June 30, 2023	\$ 15,000
June 30, 2024	30,000
June 30, 2025	30,000
June 30, 2026	30,000
June 30, 2027	30,000
Thereafter	<u>15,000</u>
	<u>\$ 150,000</u>