

SENIOR CITIZENS' LEGAL SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1-2
 <u>Financial Statements</u>	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



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, 2023 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, 2023, 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.

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.

Jones + Piny, Inc.

Sacramento, CA
March 22, 2024

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF FINANCIAL POSITION JUNE 30, 2023

ASSETS	
Cash and cash equivalents	\$ 376,158
Grants receivable	49,474
Property and equipment, net	-
Prepaid insurance	3,910
Right-of-use operating lease asset	168,544
Other assets	<u>5,130</u>
Total Assets	<u>\$ 603,216</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 2,450
Credit cards payable	579
Accrued payroll and payroll taxes	23,063
Accrued vacation	24,553
Refundable advance	10,000
Right-of-use operating lease liability	<u>174,766</u>
Total Liabilities	<u>235,411</u>
Net Assets	
Without donor restrictions	189,284
With donor restrictions	<u>178,521</u>
Total Net Assets	<u>367,805</u>
Total Liabilities and Net Assets	<u>\$ 603,216</u>

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

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Grants and contracts	\$ 561,427	\$ 310,963	\$ 872,390
Contributions	30,266	-	30,266
In-kind personnel	126,404	-	126,404
Special events, net	25,249	-	25,249
Investment income	70	-	70
Net assets released from restrictions	211,203	(211,203)	-
Total Revenue And Support	954,619	99,760	1,054,379
Expenses			
Program expenses	676,892	-	676,892
Management and general	248,422	-	248,422
Fundraising	68,083	-	68,083
Total Expenses	993,397	-	993,397
Increase (Decrease) In Net Assets	(38,778)	99,760	60,982
Net assets, beginning of the year	228,062	78,761	306,823
Net Assets, End Of The Year	\$ 189,284	178,521	\$ 367,805

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, 2023

	Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 368,257	\$ 148,402	\$ 32,978	\$ 549,637
Payroll taxes	29,647	11,947	2,655	44,249
Employee benefits	43,858	17,674	3,928	65,460
	<u>441,762</u>	<u>178,023</u>	<u>39,561</u>	<u>659,346</u>
Advertising and marketing	-	-	681	681
Bank fees	-	325	-	325
Client legal services	30	-	-	30
Computer expenses	6,119	2,466	548	9,133
Contract services	40,914	-	-	40,914
Dues and subscriptions	1,441	581	129	2,151
Equipment and maintenance	6,886	2,775	617	10,278
In-kind personnel	126,404	-	-	126,404
Insurance	-	4,704	-	4,704
Interest expense	-	208	-	208
Miscellaneous expenses	67	381	4	452
Office expense	13,956	10,855	1,034	25,845
Printing and postage	391	158	35	584
Professional services	10,000	16,652	23,332	49,984
Rent	23,059	17,935	1,708	42,702
Telephone and utilities	5,863	4,560	434	10,857
Travel and meetings	-	8,799	-	8,799
	<u>\$ 676,892</u>	<u>\$ 248,422</u>	<u>\$ 68,083</u>	<u>\$ 993,397</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, 2023

Cash flows from operating activities	
Change in net assets	\$ 60,982
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets	
Grants receivable	(37,379)
Prepaid insurance	(3,910)
Right-of-use operating lease asset	(168,544)
Other assets	(3,491)
Increase (decrease) in operating liabilities	
Accounts payable	(15,745)
Credit cards payable	(1,453)
Accrued payroll and payroll taxes	11,330
Accrued vacation	10,729
Refundable advance	10,000
Right-of-use operating lease liability	174,766
Net cash provided by operating activities	<u>37,285</u>
Net increase in cash and cash equivalents	37,285
Cash and cash equivalents, beginning of the year	<u>338,873</u>
Cash and cash equivalents, end of year	<u>\$ 376,158</u>
Supplemental Disclosures Of Cash Flow Information	
Cash paid during the year for interest	\$ 208
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, 2023

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, 2023

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, 2023 because all receivables are expected to be collected in full during the year ending June 30, 2024.

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, 2023.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 2,800 hours of donated legal service, valued at \$126,404, 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, 2023 were \$681.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies - continued

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 Leases (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization has implemented the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022, through a cumulative effect adjustment, with certain practical expedients available.

For leases with a lease term of greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration of greater than one year are included in operating lease right-of-use assets and operating lease liabilities on the Organization's statement of financial position at June 30, 2023. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate of a period comparable with that of the lease term. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease which exercise of the option is controlled by the lessor. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Because the operating lease was effective January 1, 2023, as a result of the adoption of the new lease accounting guidance, the Organization did not have to recognize a right-of-use asset or a lease liability on July 1, 2022.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies - continued

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

2. Grants Receivable

Grants receivable as of June 30, 2023 is composed of:

County of Santa Cruz	\$	10,625
Seniors Council		38,017
Seniors Network Services		<u>832</u>
	\$	<u>49,474</u>

3. Property and Equipment

Property and equipment consists of the following as of June 30, 2023:

Furniture and equipment	\$	9,020
Accumulated depreciation		<u>(9,020)</u>
	\$	<u>-</u>

4. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

Restricted as to purpose	\$	34,271
Restricted as to time		<u>144,250</u>
	\$	<u>178,521</u>

For the year ended June 30, 2023, net assets released from restrictions were \$211,203.

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.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 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. Operating Leases

The Organization leases its facility under an operating lease from a third party, which expires on December 31, 2027. The current monthly payment is \$2,500, however the lease contains annual increases. The Organization is also responsible for paying a monthly variable portion of operational and common area expenses. For the year ended June 30, 2023, the total lease cost and operating cash flows from operating leases was \$21,222 and \$15,000. The discount rate used for operating leases is the risk-free rate at the date of inception.

The weighted average discount rates and lease terms for lease obligations at June 30, 2023, are as follows:

Weighted Average Discount Rate	5.00%
Weighted Average Lease Term (in years)	5.00

Future minimum lease payments and reconciliation to the balance sheet at June 30, 2023, are as follows:

June 30, 2024	\$	30,900
June 30, 2025		46,092
June 30, 2026		47,262
June 30, 2027		48,444
June 30, 2028		<u>24,522</u>
Total future undiscounted lease payments		197,220
Less interest		<u>(22,454)</u>
Lease liabilities	\$	<u>174,766</u>

8. Retirement Plan

In September 2022 the Organization established a Savings Incentive Match Plan for Employees (SIMPLE IRA). All employees who work over 20 hours per week and have completed 60 days of employment are eligible for the plan. The Organization matches the employee's contributions up to 3% of the employee's compensation. The Organization's matching contributions to the plan for the year ended June 30, 2023 were \$9,727.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

9. Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	\$ 376,158
Grants receivable	<u>49,474</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 425,632</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.

10. Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events were evaluated through March 22, 2024, which is the date the financial statements were available to be issued.