

SENIOR CITIZENS' LEGAL SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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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, 2024, 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, 2024, 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.

Jonas + Perry, Inc.

Sacramento, CA
April 25, 2025

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF FINANCIAL POSITION JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$	517,593
Grants receivable		19,330
Property and equipment, net		-
Prepaid insurance		6,547
Right-of-use operating lease asset		134,335
Other assets		<u>5,639</u>

Total Assets \$ 683,444

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	10,921
Credit cards payable		235
Accrued payroll and payroll taxes		32,048
Accrued vacation		31,270
Refundable advance		84,488
Right-of-use operating lease liability		<u>152,101</u>

Total Liabilities 311,063

Net Assets

Without donor restrictions		217,131
With donor restrictions		<u>155,250</u>

Total Net Assets 372,381

Total Liabilities and Net Assets \$ 683,444

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

SENIOR CITIZENS' LEGAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Grants and contracts	\$ 966,702	\$ 310,500	\$ 1,277,202
Contributions	6,355	-	6,355
Program income	45,025	-	45,025
In-kind personnel	54,063	-	54,063
Special events, net	23,219	-	23,219
Investment income	88	-	88
Net assets released from restrictions	333,771	(333,771)	-
Total Revenue And Support	1,429,223	(23,271)	1,405,952
 Expenses			
Program expenses	1,068,925	-	1,068,925
Management and general	276,587	-	276,587
Fundraising	55,864	-	55,864
Total Expenses	1,401,376	-	1,401,376
 Increase In Net Assets	 27,847	 (23,271)	 4,576
Net assets, beginning of the year	189,284	178,521	367,805
 Net Assets, End Of The Year	 \$ 217,131	 \$ 155,250	 \$ 372,381

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, 2024

	Program Expenses	Management and General	Fundraising	Total
Payroll	\$ 650,984	\$ 144,265	\$ 13,110	\$ 808,359
Payroll taxes and benefits	<u>131,549</u>	<u>29,618</u>	<u>2,692</u>	<u>163,859</u>
	782,533	173,883	15,802	972,218
Advertising and marketing	797	1,452	-	2,249
Contract services to clients	144,091	59	-	144,150
Dues and subscriptions	1,687	1,218	-	2,905
Equipment rental and maintenance	1,315	-	-	1,315
In-kind personnel	54,063	-	-	54,063
Insurance	-	5,625	-	5,625
Library	3,826	-	-	3,826
Litigation	1,042	567	-	1,609
Occupancy	29,544	30,187	-	59,731
Office supplies	3,706	5,437	-	9,143
Other	-	1,841	-	1,841
Outside services	29,885	48,691	39,996	118,572
Printing and postage	-	200	66	266
Program travel	1,604	487	-	2,091
Technology	13,983	157	-	14,140
Telecommunications	404	1,382	-	1,786
Training	445	5,401	-	5,846
	<u>\$ 1,068,925</u>	<u>\$ 276,587</u>	<u>\$ 55,864</u>	<u>\$ 1,401,376</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, 2024

Cash flows from operating activities	
Change in net assets	\$ 4,576
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets	
Grants receivable	30,144
Prepaid insurance	(2,637)
Right-of-use operating lease asset	34,209
Other assets	(509)
Increase (decrease) in operating liabilities	
Accounts payable	8,471
Credit cards payable	(344)
Accrued payroll and payroll taxes	8,985
Accrued vacation	6,717
Refundable advance	74,488
Right-of-use operating lease liability	<u>(22,665)</u>
Net cash provided by operating activities	<u>141,435</u>
Net increase in cash and cash equivalents	141,435
Cash and cash equivalents, beginning of the year	<u>376,158</u>
Cash and cash equivalents, end of year	<u>\$ 517,593</u>
Supplemental Disclosures Of Cash Flow Information	
Cash paid during the year for interest	\$ -
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, 2024

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, 2024

1. Summary of Significant Accounting Policies - continued

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable county, state and federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions.

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. Allowances for doubtful accounts reflect the expected future credit losses over the life of the financial asset. The allowance for doubtful accounts is established based on prior and forecasted collection experience, as well as current and future economic factors that, in management's judgment, could influence the ability of the receivable debtors to repay the amounts per the credit terms. Management believes the balance of \$19,330 to be fully collectible, therefore no allowance for doubtful accounts has been established.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies - continued

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, 2024.

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 2,483 hours of donated legal service, valued at \$54,063, 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.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies - continued

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing costs for the year ended June 30, 2024 were \$2,249.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update replaced the incurred impairment loss methodology with a methodology that reflects the expected credit losses using a wide range of reasonable and supportable information to inform credit loss estimates. The amendment affects trade receivables. The Organization adopted the new standard effective July 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on the financial statements.

Right-Of-Use (ROU) Operating Lease Asset and Liability

ROU operating lease asset represents the Organization's right to use the underlying asset for the lease term and operating lease liability represents the net present value of the Organization's obligation to make payments arising from this lease. The lease liability is based on the present value of fixed lease payments over the lease term using its incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Organization will exercise the option. Operating lease expense is recognized on a straight-line basis over the term of the lease and is included in occupancy expense. As permitted by FASB Accounting Standards Codification (ASC) 842, leases with an initial term of twelve months or less (short-term leases) are not recorded on the accompanying statement of financial position.

2. Grants Receivable

Grants receivable as of June 30, 2024 is composed of:

County of Santa Cruz	\$ 11,355
Seniors Council of Santa Cruz and San Benito Counties	7,666
Seniors Network Services	<u>309</u>
	<u>\$ 19,330</u>

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

3. Property and Equipment

Property and equipment consists of the following as of June 30, 2024:

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, 2024 consist of the following:

Restricted as to time	<u>\$ 155,250</u>
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For the year ended June 30, 2024, net assets released from restrictions were \$333,771.

5. Concentration of Credit Risk

The Organization maintains cash balances with Federal Deposit Insurance Corporation (FDIC) insured financial institutions. At times the balances may exceed federally insured limits. The FDIC insures deposit accounts and certificates of deposit up to \$250,000 at each financial institution.

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. Approximately 73% of the Organization's revenues came from two funding sources during the year ended June 30, 2024.

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, 2024 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.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 \$2,650, 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, 2024, the total lease cost and operating cash flows from operating leases was \$42,444 and \$30,900. The discount rate used for operating leases is the risk-free rate at the date of inception.

The weighted average discount rate and lease term for the lease obligation at June 30, 2024, are as follows:

Weighted Average Discount Rate	5.00%
Weighted Average Lease Term (in years)	3.50

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2024, are as follows:

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		166,320
Less interest		<u>(14,219)</u>
Lease liability	\$	<u>152,101</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, 2024 were \$18,198.

SENIOR CITIZENS' LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

9. Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2024, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	\$	517,593
Grants receivable		<u>19,330</u>
Financial assets available to meet cash needs for expenditures within one year	\$	<u>536,923</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

Subsequent events were evaluated through April 25, 2025, which is the date the financial statements were available to be issued. In August 2024, the Organization secured a \$75,000 line of credit.