



**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

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**CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
and  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Western Center on Law and Poverty, Inc.  
and The WCLP Endowment Foundation

### Opinion

We have audited the accompanying consolidated financial statements of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation (nonprofit organizations), which comprise the Consolidated Statement of Financial Position as of December 31, 2023, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation as of December 31, 2023, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards and *Government 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 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 consolidated financial statements.

## INDEPENDENT AUDITORS' REPORT

continued

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Western Center on Law and Poverty, Inc. and The WCLP Endowment 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Center on Law and Poverty, Inc. and The WCLP Endowment 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.

### Other Matters

#### *Report on Summarized Comparative Information*

We have previously audited Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's December 31, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplementary Information on pages 19 and 20, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT

continued

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024, on our consideration of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting and compliance.

*Harrington Group*

Pasadena, California

April 29, 2024

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2023	2022
<b>ASSETS</b>						
Cash	\$ 612,753	\$ 553	\$ 613,306	\$ 1,621,368	\$ 2,234,674	\$ 1,564,127
Grants and accounts receivable	197,327		197,327	2,782,934	2,980,261	2,119,965
Pledges receivable (Note 4)	25,325		25,325		25,325	34,827
Prepaid expenses and other assets	154,933		154,933		154,933	138,558
Investments (Note 5)	425,003	4,601,252	5,026,255		5,026,255	4,252,773
Property and equipment (Note 6)			-		-	-
Right of use assets - operating leases (Note 8)	1,020,504		1,020,504		1,020,504	971,503
<b>TOTAL ASSETS</b>	<b>\$ 2,435,845</b>	<b>\$ 4,601,805</b>	<b>\$ 7,037,650</b>	<b>\$ 4,404,302</b>	<b>\$ 11,441,952</b>	<b>\$ 9,081,753</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 96,577	\$ -	\$ 96,577	\$ -	\$ 96,577	\$ 21,121
Accrued liabilities (Note 7)	326,710		326,710		326,710	294,757
Lease liability - operating leases (Note 8)	1,039,052		1,039,052		1,039,052	984,074
<b>TOTAL LIABILITIES</b>	<b>1,462,339</b>	<b>-</b>	<b>1,462,339</b>	<b>-</b>	<b>1,462,339</b>	<b>1,299,952</b>
<b>NET ASSETS</b>						
Without donor restrictions	973,506		973,506		973,506	404,056
Without donor restrictions - board designated (Notes 2 and 11)		4,601,805	4,601,805		4,601,805	3,875,808
With donor restrictions (Notes 2 and 10)			-	4,404,302	4,404,302	3,501,937
<b>TOTAL NET ASSETS</b>	<b>973,506</b>	<b>4,601,805</b>	<b>5,575,311</b>	<b>4,404,302</b>	<b>9,979,613</b>	<b>7,781,801</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,435,845</b>	<b>\$ 4,601,805</b>	<b>\$ 7,037,650</b>	<b>\$ 4,404,302</b>	<b>\$ 11,441,952</b>	<b>\$ 9,081,753</b>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended December 31, 2023  
With comparative totals for the year ended December 31, 2022

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2023	2022
<b>REVENUE AND SUPPORT</b>						
Grants	\$ -	\$ -	\$ -	\$ 5,428,943	<b>\$ 5,428,943</b>	\$ 3,807,194
Court awarded fees and costs	1,447,718		1,447,718		<b>1,447,718</b>	453,339
Investment income (loss), net	140,134	726,150	866,284		<b>866,284</b>	(837,669)
Special events, net of costs of \$142,255	466,725		466,725		<b>466,725</b>	453,651
Contributions	328,592		328,592		<b>328,592</b>	349,117
Contract revenue	303,222		303,222		<b>303,222</b>	160,955
Cy-près awards	17,992		17,992		<b>17,992</b>	-
Other income	1,500		1,500		<b>1,500</b>	-
Publications, net			-		-	3,812
Net assets released from purpose restrictions	4,526,578		4,526,578	(4,526,578)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>7,232,461</b>	<b>726,150</b>	<b>7,958,611</b>	<b>902,365</b>	<b>8,860,976</b>	<b>4,390,399</b>
<b>EXPENSES</b>						
Program services	5,397,161		5,397,161		<b>5,397,161</b>	4,025,709
Management and general	666,165	153	666,318		<b>666,318</b>	596,403
Fundraising	599,685		599,685		<b>599,685</b>	347,901
<b>TOTAL EXPENSES</b>	<b>6,663,011</b>	<b>153</b>	<b>6,663,164</b>	<b>-</b>	<b>6,663,164</b>	<b>4,970,013</b>
<b>CHANGE IN NET ASSETS</b>	<b>569,450</b>	<b>725,997</b>	<b>1,295,447</b>	<b>902,365</b>	<b>2,197,812</b>	<b>(579,614)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>404,056</b>	<b>3,875,808</b>	<b>4,279,864</b>	<b>3,501,937</b>	<b>7,781,801</b>	<b>8,361,415</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 973,506</b>	<b>\$ 4,601,805</b>	<b>\$ 5,575,311</b>	<b>\$ 4,404,302</b>	<b>\$ 9,979,613</b>	<b>\$ 7,781,801</b>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

	<u>Program Services</u>			<u>Total Program Services</u>
	<u>Health</u>	<u>Housing</u>	<u>Public Benefits/ Economic Justice</u>	
Salaries	\$ 923,713	\$ 997,002	\$ 898,063	\$ 2,818,778
Payroll taxes	69,330	74,832	67,406	211,568
Employee benefits	147,322	159,010	143,230	449,562
Total personnel costs	<u>1,140,365</u>	<u>1,230,844</u>	<u>1,108,699</u>	<u>3,479,908</u>
Contract expenses	355,048	383,218	345,189	1,083,455
Occupancy	99,201	107,072	96,446	302,719
Office expenses	37,750	40,745	36,701	115,196
Library and online research	23,657	25,534	23,000	72,191
Telephone	21,539	23,248	20,941	65,728
Travel	18,533	20,004	18,019	56,556
Dues and subscriptions	15,515	16,746	15,084	47,345
Insurance	13,245	14,295	12,877	40,417
Technology	11,563	12,480	11,242	35,285
Accounting	9,080	9,801	8,828	27,709
Staff development	7,771	8,388	7,555	23,714
Litigation and advocacy	6,448	6,959	6,269	19,676
Conferences and meetings	4,153	4,482	4,038	12,673
Printing and publications	3,779	4,080	3,675	11,534
Postage and shipping	1,001	1,081	973	3,055
<b>TOTAL 2023 FUNCTIONAL EXPENSES</b>	<b><u>\$ 1,768,648</u></b>	<b><u>\$ 1,908,977</u></b>	<b><u>\$ 1,719,536</u></b>	<b><u>\$ 5,397,161</u></b>
<b>TOTAL 2022 FUNCTIONAL EXPENSES</b>	<b><u>\$ 1,312,783</u></b>	<b><u>\$ 1,363,911</u></b>	<b><u>\$ 1,349,015</u></b>	<b><u>\$ 4,025,709</u></b>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

continued

	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	
				<b>2023</b>	<b>2022</b>
Salaries	\$ 2,818,778	\$ 347,997	\$ 313,198	\$ 3,479,973	\$ 3,033,798
Payroll taxes	211,568	26,119	23,507	261,194	223,034
Employee benefits	449,562	55,502	49,951	555,015	377,441
Total personnel costs	<u>3,479,908</u>	<u>429,618</u>	<u>386,656</u>	<u>4,296,182</u>	<u>3,634,273</u>
Contract expenses	1,083,455	133,760	120,384	1,337,599	346,856
Occupancy	302,719	37,373	33,635	373,727	364,887
Office expenses	115,196	14,222	12,800	142,218	137,208
Library and online research	72,191	8,912	8,021	89,124	100,312
Telephone	65,728	8,115	7,303	81,146	58,404
Travel	56,556	6,983	6,284	69,823	49,640
Dues and subscriptions	47,345	5,845	5,261	58,451	58,508
Insurance	40,417	4,990	4,491	49,898	54,264
Technology	35,285	4,356	3,921	43,562	39,288
Accounting	27,709	3,421	3,079	34,209	31,212
Staff development	23,714	2,928	2,635	29,277	32,651
Litigation and advocacy	19,676	2,429	2,186	24,291	29,389
Conferences and meetings	12,673	1,565	1,408	15,646	13,446
Printing and publications	11,534	1,424	1,282	14,240	15,742
Postage and shipping	3,055	377	339	3,771	3,933
<b>TOTAL 2023 FUNCTIONAL EXPENSES</b>	<u><u>\$ 5,397,161</u></u>	<u><u>\$ 666,318</u></u>	<u><u>\$ 599,685</u></u>	<u><u>\$ 6,663,164</u></u>	
TOTAL 2022 FUNCTIONAL EXPENSES	<u><u>\$ 4,025,709</u></u>	<u><u>\$ 596,403</u></u>	<u><u>\$ 347,901</u></u>		<u><u>\$ 4,970,013</u></u>

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

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

With comparative totals for the year ended December 31, 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,197,812	\$ (579,614)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investments, net	(657,286)	944,575
Reinvested interest and dividends	(110,930)	(102,164)
Amortization of right-of-use assets - operating leases	222,211	191,727
(Increase) decrease in operating assets:		
Grants and accounts receivable	(860,296)	150,389
Pledges receivable	9,502	367
Prepaid expenses and other assets	(16,375)	(5,464)
Increase (decrease) in operating liabilities:		
Accounts payable	75,456	(41,996)
Accrued liabilities	31,953	(10,207)
Reduction of lease liabilities - operating leases	(216,234)	(179,156)
	<b>675,813</b>	<b>368,457</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(5,266)	-
Proceeds from sale of investments	-	180,000
	<b>(5,266)</b>	<b>180,000</b>
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	<b>670,547</b>	<b>548,457</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,564,127</b>	<b>1,015,670</b>
<b>CASH, END OF YEAR</b>	<b>\$ 2,234,674</b>	<b>\$ 1,564,127</b>
<b>NON-CASH OPERATING ACTIVITIES:</b>		
Addition to right-of-use assets - operating/lease liability	\$ 271,211	\$ -
Right-of-use assets - operating/lease liability upon adoption of ASC 842	\$ -	\$ 1,163,230

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

# WESTERN CENTER ON LAW AND POVERTY, INC. AND THE WCLP ENDOWMENT FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Organization

#### *Mission*

Western Center on Law and Poverty, Inc. (“WCLP”), leads the fight in the courts, counties, and capital to secure housing, health care, and a strong safety net for low-income Californians. We fight to end poverty in California. The WCLP Endowment Foundation (“the Foundation”) was formed as a supporting organization to WCLP. Due to common control of these organizations and an economic interest, consolidated financial statements are prepared for both WCLP and the Foundation, collectively referred to as (“the Center”).

#### *History*

WCLP was founded in 1967 during the War on Poverty by a passionate group of attorneys and legal scholars from California law schools who sought to create a unique organization, guided by the belief that all Californians deserve the finest possible legal representation before the institutions that shape their lives. WCLP’s founders recognized that, while frontline legal aid programs were invaluable to individuals, there was a need for statewide coordinated strategies to win expansive victories for thousands, and in some cases millions, of Californians at a time.

#### *Programs*

Today, working for and with poor communities and communities of color, WCLP’s approach has evolved into a multi-issue model that artfully combines impact litigation, policy and administrative advocacy, and technical assistance and education for nearly 100 California legal aid programs as well as community-based organizations. WCLP’s client communities include immigrants, persons with disabilities, people experiencing homelessness, and low-income working families. By applying a coordinated concert of tools, WCLP ensures that low-income Californians receive the support they are entitled to, and fights for their economic security and dignity. In all of its work, WCLP actively seeks to eliminate racial disparities and achieve racial justice in California.

Housing and Homelessness: WCLP ensures that residents have access to healthy, sustainable, and affordable housing in neighborhoods of their choosing, and we advocate for strong, clear, and enforceable anti-displacement protections. All of WCLP’s work seeks to address California’s housing crisis and its disproportionate effects on the most vulnerable Californians and unhoused individuals by: (1) protecting tenants from eviction and landlord abuse and ensuring access to housing; (2) preserving the existing housing stock; and (3) promoting equitable planning and development.

Public Benefits & Economic Dignity: WCLP works to make our state a more equitable place to live by providing a roadmap to financial security and economic justice for families and individuals who need it most by: (1) expanding access to jobs, take-home income, and opportunity for Californians experiencing poverty; (2) ensuring state and local governments adequately implement mandated public benefits; (3) reducing the criminalization of poverty and racial bias in anti-poverty programs, public institutions, work environments, and child support systems; (4) fighting to end the high costs of poverty by reducing or eliminating high fees, fines and costs associated with the criminal justice system, traffic courts, parking tickets and towing of cars; and (5) ending predatory financial services and laws that allow debt-collector-take-all practices.

# WESTERN CENTER ON LAW AND POVERTY, INC. AND THE WCLP ENDOWMENT FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. **Organization**, continued

Health Care: WCLP believes health care is a human right. Many Californians still do not have care, and even more are paying too much for the care they have. WCLP works to preserve and expand access to health care for all Californians regardless of immigration, age, or health status and help them avoid the health-poverty trap by: (1) advocating for improvements to health programs that serve low-income Californians; (2) expanding Medi-Cal to cover all Californians who need it; (3) ensuring that Medi-Cal plans and providers deliver equitable, quality care; and (4) fighting medical debt by demanding the hospitals and medical providers abide by charity care laws and other consumer protections.

Access to Justice: WCLP believes that the right to be heard in the courts, administrative hearings, and in Sacramento is the entitlement of every Californian. WCLP works to: (1) enforce due process and language access rights to guarantee every poor person their “day in court”; (2) ensure adequate funding for legal services programs and that they will be fairly paid for their work by assisting local programs secure attorneys’ fees; and (3) increase access to civil legal representation.

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

#### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of WCLP and the Foundation. All intercompany transactions and balances have been eliminated upon consolidation.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**Without Donor Restrictions – Board Designated.** These are comprised of resources that the Board of Directors has established as being designated for future program operations and are comprised of Board designated, endowed funds. For purposes of complying with net assets accounting, these assets are included in net assets without donor restrictions at December 31, 2023. The Center has Board designated net assets of \$4,601,805 at December 31, 2023.

**With Donor Restrictions.** The Center reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. The Center has donor-restricted net assets of \$4,404,302 at December 31, 2023.

**Client Cash Accounts**

The Center maintains a separate cash account for its clients. These are funds awarded by the court for WCLP clients and are maintained in these accounts until distribution.

**Investments**

The Center values its investments at fair value. Realized and unrealized gains or losses (including investments bought, sold, and held during the period) are reflected in the Consolidated Statement of Activities as investment income (loss), net.

**Fair Value Measurements**

Generally accepted accounting principles 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 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

The Center is required to measure certain investments at fair value. The specific technique used to measure fair value for the consolidated financial statement element is described in the notes below that relates to the element.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**Revenue and Revenue Recognition**

The Center recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received or pledged. Certain contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Those contracts and grants, or 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 substantially met or qualifying expenses have been incurred. The Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the contribution.

Court awarded fees and Cy-près awards are recognized as revenue upon the court's final approval of the settlement.

**Grants and Accounts Receivable, and Pledges Receivable**

At December 31, 2023, management assessed the collectability of grants and accounts receivable, and pledges receivable, concluding that no allowance was considered necessary. Furthermore, management did not record discounts on its grants or pledges receivable which are expected to be collected in greater than one year as the amount is not deemed material to the consolidated financial statements.

**Concentration of Credit Risks**

The Center places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Center has not incurred losses related to these investments.

The Center holds investments in the form of money market funds, bond funds, equity funds, and a private placement limited partnership. Market values of such investments are routinely reviewed by the Finance Committee for WCLP and the Endowment Board for the Foundation.

**Property and Equipment**

Property and equipment are recorded at cost or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Estimated useful lives of equipment and the law library are 3-7 years, and 10 years, respectively. The law library was donated to the Center in 1975 and recorded at fair value.

Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**Income Taxes**

The Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Center's returns are subject to examination by federal taxing authorities, generally for three years, respectively, after they are filed.

**Leases**

The Center applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in excess of twelve months in exchange for consideration. The Center defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Center further determines all the existing leases are operating leases, which are included in Right-of-Use ("ROU") assets and lease liabilities in the Consolidated Statement of Financial Position.

ROU assets represent The Center's right to use leased assets over the term of the lease. Lease liabilities represent the Center's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Center does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Functional Allocation of Expenses**

Costs of providing the Center's programs and other activities have been presented in the Consolidated Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Center uses the percentage of staff time to allocate indirect costs.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**Comparative Totals**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through April 29, 2024, the date which the consolidated financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the consolidated financial statements.

**3. Liquidity and Availability of Resources**

WCLP regularly monitors liquidity required to meet its operating needs. A detailed monthly cash flow statement is maintained over a 24-month period. WCLP has various sources of liquidity at its disposal, including cash, cash equivalents and an investment account.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WCLP considers all expenditures related to its ongoing activities.

In addition to financial assets available to meet general expenditures over the next 12 months, WCLP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by restricted revenue.

A board-designated endowment fund, which has no restrictions and is managed by the Foundation Board, consists of invested accounts and cash. The board-designated endowment of \$4,601,805, as of December 31, 2023, is subject to an annual spending rate of 4.5 percent. Additionally, the Board may distribute funds as cash flows needs or opportunities are presented for general use. Although the Center does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of WCLP's annual budget approval and appropriation), these amounts could be made available if necessary, in the event of delayed attorneys' fee awards or other contingencies.

As of December 31, 2023, the following table shows the total liquid financial assets, as reflected in this audit, held by WCLP and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures. These amounts below are in addition to the invested funds (noted above) held by the Foundation:

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**3. Liquidity and Availability of Resources, continued**

Cash**	\$2,234,121
Grants and accounts receivable**	2,980,261
Pledges receivable	25,325
Investments	<u>425,003</u>
	<u>\$5,664,710</u>

\*\*Includes grants restricted by donors for purpose and time but expected to be released for expenditures within one year of the consolidated statement of financial position date.

**4. Pledges Receivable**

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deems pledges receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been established. Pledges receivable of \$25,325 at December 31, 2023 is expected to be collected within one year.

**5. Investments**

Composition of investments at December 31, 2023 is as follows:

Stock funds	\$3,450,603
Bond funds	1,570,224
Money market funds	<u>5,428</u>
Total	<u>\$5,026,255</u>

Significant information about investments at December 31, 2023 is summarized as follows:

Beginning balance, January 1, 2023	\$4,252,773
Purchases	5,266
Gain on investments	657,286
Interest and dividends reinvested	<u>110,930</u>
Ending balance, December 31, 2023	<u>\$5,026,255</u>

**6. Property and Equipment**

Property and equipment at December 31, 2023 consists of the following:

Law library	\$ 240,330
Computer equipment	<u>19,310</u>
	<u>259,640</u>
Less: accumulated depreciation	<u>(259,640)</u>
	<u>\$ -</u>

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Accrued Liabilities**

Accrued liabilities at December 31, 2023 consist of the following:

Vacation accrual	\$314,615
Other payroll liabilities	<u>12,095</u>
	<u>\$326,710</u>

**8. Right-of-Use Assets and Liabilities – Operating Leases**

WCLP evaluated current office and equipment contracts to determine which met the criteria of a lease. The ROU assets represents WCLP's right to use underlying assets for the lease term and the lease liabilities represent WCLP's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. WCLP made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Cash paid for operating leases for the year ended December 31, 2023 was \$259,483. There were no noncash investing and financing transactions related to leasing during the year ended December 31, 2023.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2023 were 4.36 years and 4.79%, respectively.

Future maturities of the lease liabilities are as follows:

<u>Year ending December 31,</u>	
2024	\$ 249,336
2025	265,458
2026	270,602
2027	266,916
2028	80,587
Thereafter	<u>15,994</u>
Total lease payments	1,148,893
Less: present value discount	<u>(109,841)</u>
	<u>\$1,039,052</u>

The underlying ROU asset related to the above liability is as follows:

ROU asset balance at January 1, 2023	\$ 971,503
Add: ROU assets	271,211
Less: amortization of lease	<u>(222,210)</u>
ROU asset balance at December 31, 2023	<u>\$1,020,504</u>

Rental expense under operating leases was \$334,886 for the year ended December 31, 2023, and is included in occupancy expense in the Consolidated Statement of Functional Expenses.

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**9. Commitments and Risks**

**Contracts and Grants**

The Center's contracts and grants are subject to inspection and audit by the appropriate state and county funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these audits cannot be reasonably estimated and, accordingly, the Center has no provisions for the possible disallowance of program costs on its consolidated financial statements.

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions at December 31, 2023 consist of assets restricted for the following:

<u>Time restrictions</u>	<u>\$2,083,568</u>
<u>Purpose restrictions</u>	
Health	\$1,518,234
Housing	495,834
Public benefits	<u>306,666</u>
	<u>2,320,734</u>
Total net assets with donor restrictions	<u>\$4,404,302</u>

**11. Board-Designated Endowment**

The board-designated endowment, in the amount of \$4,601,805 as of December 31, 2023, is subject to an annual spending rate of 4.5 percent. However, the Center Board may distribute funds as cash flows needs or opportunities are presented for general use. As a Board designated endowment, these assets are included as a component of net assets without donor restrictions. Significant information about the Board designated endowment as of December 31, 2023 is as follows:

Board designated endowment net assets composition by type of fund:

Board designated	<u>\$4,601,805</u>
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Changes in board designated endowment net assets:

Beginning of year, January 1, 2023	\$3,875,808
Purchases	-
Sales	-
Fees	(153)
Investment income, net	<u>726,150</u>
End of year, December 31, 2023	<u>\$4,601,805</u>

continued

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Board-Designated Endowment, continued**

<u>Investment income, net</u>	
Interest and dividends	\$ 97,190
Gain on investments	<u>628,960</u>
	<u>\$726,150</u>

**12. Fair Market Value**

The table below presents the balances of assets or liabilities measured at fair value at December 31, 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government money market funds	<u>\$ 5,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,428</u>
Bond funds				
Intermediate core bond	993,947			993,947
High yield bond	189,945			189,945
Inflation protected bond	176,994			176,994
Intermediate term bond	140,751			140,751
Multisector bond	37,316			37,316
Tactical allocation bond	<u>31,271</u>			<u>31,271</u>
	<u>1,570,224</u>	<u>-</u>	<u>-</u>	<u>1,570,224</u>
Stock funds				
Large blend	2,964,344			2,964,344
Foreign large blend	319,003			319,003
Emerging markets	104,056			104,056
Large growth	<u>63,200</u>			<u>63,200</u>
	<u>3,450,603</u>	<u>-</u>	<u>-</u>	<u>3,450,603</u>
Fair value at December 31, 2023	<u>\$5,026,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,026,255</u>

The fair value of government money market funds, bond funds, and stock funds within the Level 1 inputs are based on quoted market prices as of the closing of the last business day of the fiscal year.

**13. Employee Benefit Plan**

The Center sponsors a 403(b) tax shelter annuity (“TSA”) plan for the benefit of its employees, all of whom are eligible to participate after meeting minimum eligibility requirements. The Center has elected to make bi-weekly discretionary contributions to the TSA plan on behalf of participating employees, as well as a dollar-for-dollar matching contribution up to \$1,000 of a participating employee’s salary deferral. For the year ended December 31, 2023, the Center’s contributions to the plan were \$138,592.

**SUPPLEMENTARY INFORMATION**

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**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

	WCLP	The WCLP Endowment Foundation	Eliminations	2023	2022
<b>ASSETS</b>					
Cash	\$ 2,234,121	\$ 553	\$ -	\$ 2,234,674	\$ 1,564,127
Grants and accounts receivable	2,980,261			2,980,261	2,119,965
Pledges receivable (Note 4)	25,325			25,325	34,827
Prepaid expenses and other assets	154,933			154,933	138,558
Investments (Note 5)	425,003	4,601,252		5,026,255	4,252,773
Property and equipment (Note 6)				-	-
Right of use assets - operating leases (Note 8)	1,020,504			1,020,504	971,503
<b>TOTAL ASSETS</b>	<b>\$ 6,840,147</b>	<b>\$ 4,601,805</b>	<b>\$ -</b>	<b>\$ 11,441,952</b>	<b>\$ 9,081,753</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 96,577	\$ -	\$ -	\$ 96,577	\$ 21,121
Accrued liabilities (Note 7)	326,710			326,710	294,757
Lease liability - operating leases (Note 8)	1,039,052			1,039,052	984,074
<b>TOTAL LIABILITIES</b>	<b>1,462,339</b>	<b>-</b>	<b>-</b>	<b>1,462,339</b>	<b>1,299,952</b>
<b>NET ASSETS</b>					
Without donor restrictions	973,506			973,506	404,056
Without donor restrictions - Board designated (Notes 2 and 11)		4,601,805		4,601,805	3,875,808
With donor restrictions (Notes 2 and 10)	4,404,302			4,404,302	3,501,937
<b>TOTAL NET ASSETS</b>	<b>5,377,808</b>	<b>4,601,805</b>	<b>-</b>	<b>9,979,613</b>	<b>7,781,801</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,840,147</b>	<b>\$ 4,601,805</b>	<b>\$ -</b>	<b>\$ 11,441,952</b>	<b>\$ 9,081,753</b>

See independent auditors' report.

**WESTERN CENTER ON LAW AND POVERTY, INC.  
AND THE WCLP ENDOWMENT FOUNDATION**

CONSOLIDATING STATEMENT OF ACTIVITIES  
For the year ended December 31, 2023  
With comparative totals for the year ended December 31, 2022

	<u>WCLP</u>	<u>The WCLP Endowment Foundation</u>	<u>Eliminations</u>	<u>2023</u>	<u>2022</u>
<b>REVENUE AND SUPPORT</b>					
Grants	\$ 5,428,943	\$ -	\$ -	\$ 5,428,943	\$ 3,807,194
Court awarded fees and costs	1,447,718			1,447,718	453,339
Investment income (loss), net	140,134	726,150		866,284	(837,669)
Special events, net of direct benefits of \$142,255	466,725			466,725	453,651
Contributions	328,592			328,592	349,117
Contract revenue	303,222			303,222	160,955
Cy-près awards	17,992			17,992	-
Other income	1,500			1,500	-
Publications, net				-	3,812
<b>TOTAL REVENUE AND SUPPORT</b>	<u>8,134,826</u>	<u>726,150</u>	<u>-</u>	<u>8,860,976</u>	<u>4,390,399</u>
<b>EXPENSES</b>					
Program services	5,397,161			5,397,161	4,025,709
Management and general	666,165	153		666,318	596,403
Fundraising	599,685			599,685	347,901
<b>TOTAL EXPENSES</b>	<u>6,663,011</u>	<u>153</u>	<u>-</u>	<u>6,663,164</u>	<u>4,970,013</u>
<b>CHANGE IN NET ASSETS</b>	1,471,815	725,997	-	2,197,812	(579,614)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,905,993</u>	<u>3,875,808</u>		<u>7,781,801</u>	<u>8,361,415</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,377,808</u>	<u>\$ 4,601,805</u>	<u>\$ -</u>	<u>\$ 9,979,613</u>	<u>\$ 7,781,801</u>

See independent auditors' report.

**ADDITIONAL INFORMATION**

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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To the Board of Directors  
Western Center on Law and Poverty, Inc.  
and The WCLP Endowment Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2023, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 29, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Western Center on Law and Poverty, Inc. and The WCLP Endowment Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***  
continued

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

Pasadena, California  
April 29, 2024