



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

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

DECEMBER 31, 2024

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CONTENTS

Independent Auditors' Report	1-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6-7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-20
Supplementary Information:	
Consolidating Statement of Financial Position	21
Consolidating Statement of Activities	22
Additional Information:	
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 <i>Government Auditing Standards</i>	23-24

INDEPENDENT AUDITORS' REPORT

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, 2024, 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, 2024, 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

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, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 20 and 21, 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2025, 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 30, 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2024

With comparative totals at December 31, 2023

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2024	2023
ASSETS						
Cash	\$ 759,416	\$ 638	\$ 760,054	\$ 876,256	\$ 1,636,310	\$ 2,234,674
Grants and accounts receivable	342,548		342,548	2,948,525	3,291,073	2,980,261
Pledges receivable (Note 4)	44,829		44,829		44,829	25,325
Prepaid expenses and other assets	160,074		160,074		160,074	154,933
Investments (Note 5)	456,389	4,967,777	5,424,166		5,424,166	5,026,255
Property and equipment (Note 6)			-		-	-
Right-of-use assets - operating leases (Note 8)	815,517		815,517		815,517	1,020,504
TOTAL ASSETS	\$ 2,578,773	\$ 4,968,415	\$ 7,547,188	\$ 3,824,781	\$ 11,371,969	\$ 11,441,952
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 644,171	\$ -	\$ 644,171	\$ -	\$ 644,171	\$ 96,577
Accrued liabilities (Note 7)	338,532		338,532		338,532	326,710
Lease liabilities - operating leases (Note 8)	850,175		850,175		850,175	1,039,052
TOTAL LIABILITIES	1,832,878	-	1,832,878	-	1,832,878	1,462,339
NET ASSETS						
Without donor restrictions	745,895		745,895		745,895	973,506
Without donor restrictions - board designated (Notes 2 and 11)		4,968,415	4,968,415		4,968,415	4,601,805
With donor restrictions (Notes 2 and 10)			-	3,824,781	3,824,781	4,404,302
TOTAL NET ASSETS	745,895	4,968,415	5,714,310	3,824,781	9,539,091	9,979,613
TOTAL LIABILITIES AND NET ASSETS	\$ 2,578,773	\$ 4,968,415	\$ 7,547,188	\$ 3,824,781	\$ 11,371,969	\$ 11,441,952

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, 2024

With comparative totals for the year ended December 31, 2023

	Without Donor Restrictions	Without Donor Restrictions Board Designated	Total Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUE AND SUPPORT						
Grants	\$ -	\$ -	\$ -	\$ 4,325,938	\$ 4,325,938	\$ 5,428,943
Investment income, net	143,507	726,610	870,117		870,117	866,284
Court awarded fees and costs	618,562		618,562		618,562	1,447,718
Special events, net of costs of \$215,053	339,970		339,970		339,970	466,725
Contract revenue	302,032		302,032		302,032	303,222
Contributions	298,012		298,012		298,012	328,592
Other income	800		800		800	1,500
Cy-près awards			-		-	17,992
Net assets released from purpose restrictions	4,905,459		4,905,459	(4,905,459)	-	-
Net assets released from board designation	360,000	(360,000)	-		-	-
TOTAL REVENUE AND SUPPORT	6,968,342	366,610	7,334,952	(579,521)	6,755,431	8,860,976
EXPENSES						
Program services	5,423,717		5,423,717		5,423,717	5,397,161
Management and general	647,638		647,638		647,638	666,318
Fundraising	791,553		791,553		791,553	599,685
TOTAL EXPENSES	6,862,908	-	6,862,908	-	6,862,908	6,663,164
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	105,434	366,610	472,044	(579,521)	(107,477)	2,197,812
OTHER CHANGES						
Loss event (Note 14)	(333,045)		(333,045)		(333,045)	-
CHANGE IN NET ASSETS	(227,611)	366,610	138,999	(579,521)	(440,522)	2,197,812
NET ASSETS, BEGINNING OF YEAR	973,506	4,601,805	5,575,311	4,404,302	9,979,613	7,781,801
NET ASSETS, END OF YEAR	\$ 745,895	\$ 4,968,415	\$ 5,714,310	\$ 3,824,781	\$ 9,539,091	\$ 9,979,613

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, 2024

With comparative totals for the year ended December 31, 2023

	Program Services			Total Program Services
	Health	Housing	Public Benefits/ Economic Justice	
Salaries	\$ 1,200,091	\$ 940,350	\$ 1,082,144	\$ 3,222,585
Payroll taxes	90,103	70,601	81,247	241,951
Employee benefits	197,689	154,902	178,260	530,851
Total personnel costs	<u>1,487,883</u>	<u>1,165,853</u>	<u>1,341,651</u>	<u>3,995,387</u>
Contract expenses	242,350	189,897	218,532	650,779
Occupancy	109,894	86,110	99,094	295,098
Office expenses	26,044	20,407	23,484	69,935
Travel	31,739	24,870	28,620	85,229
Telephone	26,805	21,003	24,171	71,979
Library and online research	22,276	17,455	20,087	59,818
Dues and subscriptions	20,086	15,738	18,111	53,935
Insurance	15,526	12,166	14,001	41,693
Technology	13,835	10,841	12,476	37,152
Accounting	10,743	8,418	9,687	28,848
Conferences and meetings	5,651	4,428	5,095	15,174
Staff development	3,923	3,074	3,537	10,534
Printing and publications	1,362	1,067	1,228	3,657
Litigation and advocacy	1,179	923	1,062	3,164
Postage and shipping	497	390	448	1,335
TOTAL 2024 FUNCTIONAL EXPENSES	<u>\$ 2,019,793</u>	<u>\$ 1,582,640</u>	<u>\$ 1,821,284</u>	<u>\$ 5,423,717</u>
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 1,768,648</u>	<u>\$ 1,908,977</u>	<u>\$ 1,719,536</u>	<u>\$ 5,397,161</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 FUNCTIONAL EXPENSES

For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

continued

	Total Program Services	Management and General	Fundraising	Total Expenses	
				2024	2023
Salaries	\$ 3,222,585	\$ 362,541	\$ 443,106	\$ 4,028,232	\$ 3,479,973
Payroll taxes	241,951	27,219	33,268	302,438	261,194
Employee benefits	530,851	59,721	72,992	663,564	555,015
Total personnel costs	<u>3,995,387</u>	<u>449,481</u>	<u>549,366</u>	<u>4,994,234</u>	<u>4,296,182</u>
Contract expenses	650,779	73,213	89,482	813,474	1,337,599
Occupancy	295,098	33,199	40,576	368,873	373,727
Office expenses	69,935	45,335	55,410	170,680	142,218
Travel	85,229	9,589	11,719	106,537	69,823
Telephone	71,979	8,098	9,897	89,974	81,146
Library and online research	59,818	6,730	8,225	74,773	89,124
Dues and subscriptions	53,935	6,068	7,416	67,419	58,451
Insurance	41,693	4,691	5,733	52,117	49,898
Technology	37,152	4,180	5,108	46,440	43,562
Accounting	28,848	3,245	3,966	36,059	34,209
Conferences and meetings	15,174	1,707	2,086	18,967	15,646
Staff development	10,534	1,185	1,448	13,167	29,277
Printing and publications	3,657	411	503	4,571	14,240
Litigation and advocacy	3,164	356	435	3,955	24,291
Postage and shipping	1,335	150	183	1,668	3,771
TOTAL 2024 FUNCTIONAL EXPENSES	<u><u>\$ 5,423,717</u></u>	<u><u>\$ 647,638</u></u>	<u><u>\$ 791,553</u></u>	<u><u>\$ 6,862,908</u></u>	
TOTAL 2023 FUNCTIONAL EXPENSES	<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>

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, 2024

With comparative totals for the year ended December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (440,522)	\$ 2,197,812
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
(Gain) on investments, net	(633,242)	(657,286)
Reinvested interest and dividends	(124,669)	(110,930)
Amortization of right-of-use assets - operating leases	223,048	222,211
(Increase) decrease in operating assets:		
Grants and accounts receivable	(310,812)	(860,296)
Pledges receivable	(19,504)	9,502
Prepaid expenses and other assets	(5,141)	(16,375)
Increase (decrease) in operating liabilities:		
Accounts payable	547,594	75,456
Accrued liabilities	11,822	31,953
Lease liabilities - operating leases	(206,938)	(216,234)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(958,364)	675,813
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(5,266)
Proceeds from sale of investments	360,000	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	360,000	(5,266)
NET (DECREASE) INCREASE IN CASH	(598,364)	670,547
CASH, BEGINNING OF YEAR	2,234,674	1,564,127
CASH, END OF YEAR	\$ 1,636,310	\$ 2,234,674
NON-CASH OPERATING ACTIVITIES:		
Addition to right-of-use assets - operating leases/lease liabilities - operating leases	\$ 18,061	\$ 271,211

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

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

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, which are collectively referred to as “the Center”. 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

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, 2024. The Center has Board designated net assets of \$4,968,415 at December 31, 2024.

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 \$3,824,781 at December 31, 2024.

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, 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

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

As of December 31, 2024, management evaluated the collectability of grants, accounts receivable, and pledges receivable and determined that no allowance was necessary. Grants are considered fully collectible, and pledges are from donors with a strong history of fulfilling commitments. The Center follows the current expected credit loss (CECL) model under ASU 2016-13; however, its adoption is not expected to have a significant impact on receivables. Additionally, no discounts were recorded on amounts due beyond one year, as the effect was deemed immaterial 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

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2023, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 30, 2025, the date which the consolidated financial statements were available for issue. Except as noted in footnote 14, no other 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

The Center regularly monitors liquidity required to meet its operating needs. A detailed monthly cash flow statement is maintained over a 24-month period. The Center 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, The Center considers all expenditures related to its ongoing activities.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

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 \$4,968,415, as of December 31, 2024, 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 the Center'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, 2024, the following table shows the total liquid financial assets, as reflected in this audit, held by the Center 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:

Cash**	\$1,636,310
Grants and accounts receivable**	3,060,756
Pledges receivable	44,829
Investments	<u>456,389</u>
	<u>\$5,198,284</u>

**Includes cash and 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 \$44,829 at December 31, 2024 is expected to be collected within one year.

5. Investments

Composition of investments at December 31, 2024 is as follows:

Stock funds	\$3,766,646
Bond funds	1,651,324
Money market funds	<u>6,196</u>
Total	<u>\$5,424,166</u>

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments, continued

Significant information about investments at December 31, 2024 is summarized as follows:

Beginning balance, January 01, 2024	\$5,026,255
Sales	(360,000)
Gain on investments	633,242
Interest and dividends reinvested	<u>124,669</u>
Ending balance, December 31, 2024	<u>\$5,424,166</u>

6. Property and Equipment

Property and equipment at December 31, 2024 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>

7. Accrued Liabilities

Accrued liabilities at December 31, 2024 consist of the following:

Vacation accrual	\$319,226
Other payroll liabilities	<u>19,306</u>
	<u>\$338,532</u>

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

The Center evaluated current office and equipment contracts to determine which met the criteria of a lease. The ROU assets represents the Center's right to use underlying assets for the lease term and the lease liabilities represent the Center'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. The Center 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, 2024 was \$251,327. There were no noncash investing and financing transactions related to leasing during the year ended December 31, 2024.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of December 31, 2024 were 3.42 years and 4.85%, respectively.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Right-of-Use Assets and Lease Liabilities – Operating Leases, continued

Future maturities of the lease liabilities are as follows:

<u>Year ending December 31,</u>	
2025	\$270,562
2026	275,706
2027	270,828
2028	82,831
2029	17,885
Thereafter	<u>-</u>
Total lease payments	917,812
Less: present value discount	<u>(67,637)</u>
	<u>\$850,175</u>

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

ROU asset balance at January 01, 2024	\$1,020,504
Add: ROU assets	18,061
Less: amortization of lease	<u>(223,048)</u>
ROU asset balance at December 31, 2024	<u>\$ 815,517</u>

Rental expense under operating leases was \$332,678 for the year ended December 31, 2024, and is included in occupancy expense in the Consolidated Statement of Functional Expenses.

9. Contingencies, Risks, and Uncertainties

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.

Legal

As of the fiscal year end, the Center was not a defendant in any legal actions. However, from time to time, the Center may be subject to legal proceedings. While the outcome of such matters cannot be predicted, management acknowledges that the resolution of certain matters could have a material impact on the organization's financial statements.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2024 consist of assets restricted for the following:

<u>Time restrictions</u>	<u>\$2,694,238</u>
<u>Purpose restrictions</u>	
Health	\$ 843,043
Public benefits	150,000
Housing	<u>137,500</u>
	<u>1,130,543</u>
Total net assets with donor restrictions	<u>\$3,824,781</u>

11. Board-Designated Endowment

The board-designated endowment, in the amount of \$4,968,415 as of December 31, 2024, 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, 2024 is as follows:

Board designated endowment net assets composition by type of fund:

Board designated	<u>\$4,968,415</u>
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Changes in board designated endowment net assets:

Beginning of year, January 01, 2024	\$4,601,805
Purchases	-
Sales	(360,000)
Fees	-
Investment income, net	<u>726,610</u>
End of year, December 31, 2024	<u>\$4,968,415</u>

<u>Investment income, net</u>	
Interest and dividends	\$106,403
Gain on investments	<u>620,207</u>
	<u>\$726,610</u>

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Fair Market Value

The table below presents the balances of assets or liabilities measured at fair value at December 31, 2024 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government money market funds	\$ 6,196	\$ -	\$ -	\$ 6,196
Bond funds				
Intermediate core bond	1,058,195			1,058,195
High yield bond	197,120			197,120
Inflation protected bond	180,559			180,559
Intermediate term bond	143,710			143,710
Multisector bond	39,180			39,180
Tactical allocation bond	32,560			32,560
	<u>1,651,324</u>	<u>-</u>	<u>-</u>	<u>1,651,324</u>
Stock funds				
Large blend	3,306,265			3,306,265
Foreign large blend	302,137			302,137
Emerging markets	91,670			91,670
Large growth	66,574			66,574
	<u>3,766,646</u>	<u>-</u>	<u>-</u>	<u>3,766,646</u>
Fair value at December 31, 2024	<u>\$5,424,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,424,166</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, 2024, the Center’s contributions to the plan were \$152,146.

14. Loss Event

The Center experienced a financial loss of \$563,362 when fraudulent actors impersonated legitimate recipients of funds and provided falsified payment instructions, leading to the inadvertent wire transfer of funds to unauthorized accounts.

Upon discovery of the incident, the Center initiated recovery efforts, reported the matter to law enforcement authorities, conducted a forensic assessment of its email systems, and strengthened its internal controls.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Loss Event, continued

In April 2025, the Center successfully recouped \$230,317 of the original loss. As a result, the net financial loss has been reduced to \$333,045 and accounts receivable increased by \$230,317 as of December 31, 2024, in accordance with applicable accounting standards and the expected realization of the recovery.

While this event has had a financial impact, the Center remains committed to safeguarding its assets and ensuring the integrity of its operations. Recovery efforts are ongoing, and the Center will continue to enhance its internal controls and employee training to mitigate future risks.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2024

With comparative totals at December 31, 2023

	WCLP	The WCLP Endowment Foundation	Eliminations	2024	2023
ASSETS					
Cash	\$ 1,635,672	\$ 638	\$ -	\$ 1,636,310	\$ 2,234,674
Grants and accounts receivable	3,291,073			3,291,073	2,980,261
Pledges receivable (Note 4)	44,829			44,829	25,325
Prepaid expenses and other assets	160,074			160,074	154,933
Investments (Note 5)	456,389	4,967,777		5,424,166	5,026,255
Property and equipment (Note 6)				-	-
Right-of-use assets - operating leases (Note 8)	815,517			815,517	1,020,504
TOTAL ASSETS	\$ 6,403,554	\$ 4,968,415	\$ -	\$ 11,371,969	\$ 11,441,952
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 644,171	\$ -	\$ -	\$ 644,171	\$ 96,577
Accrued liabilities (Note 7)	338,532			338,532	326,710
Lease liabilities - operating leases (Note 8)	850,175			850,175	1,039,052
TOTAL LIABILITIES	1,832,878	-	-	1,832,878	1,462,339
NET ASSETS					
Without donor restrictions	745,895			745,895	973,506
Without donor restrictions - Board designated (Notes 2 and 11)		4,968,415		4,968,415	4,601,805
With donor restrictions (Notes 2 and 10)	3,824,781			3,824,781	4,404,302
TOTAL NET ASSETS	4,570,676	4,968,415	-	9,539,091	9,979,613
TOTAL LIABILITIES AND NET ASSETS	\$ 6,403,554	\$ 4,968,415	\$ -	\$ 11,371,969	\$ 11,441,952

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, 2024
With comparative totals for the year ended December 31, 2023

	<u>WCLP</u>	<u>The WCLP Endowment Foundation</u>	<u>Eliminations</u>	<u>2024</u>	<u>2023</u>
REVENUE AND SUPPORT					
Grants	\$ 4,325,938	\$ -	\$ -	\$ 4,325,938	\$ 5,428,943
Investment income, net	143,507	726,610		870,117	866,284
Court awarded fees and costs	618,562			618,562	1,447,718
Special events, net of direct benefits of \$215,053	339,970			339,970	466,725
Contract revenue	302,032			302,032	303,222
Contributions	658,012		(360,000)	298,012	328,592
Other income	800			800	1,500
Cy-près awards				-	17,992
TOTAL REVENUE AND SUPPORT	<u>6,388,821</u>	<u>726,610</u>	<u>(360,000)</u>	<u>6,755,431</u>	<u>8,860,976</u>
EXPENSES					
Program services	5,423,717	360,000	(360,000)	5,423,717	5,397,161
Management and general	647,638			647,638	666,318
Fundraising	791,553			791,553	599,685
TOTAL EXPENSES	<u>6,862,908</u>	<u>360,000</u>	<u>(360,000)</u>	<u>6,862,908</u>	<u>6,663,164</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(474,087)	366,610	-	(107,477)	2,197,812
OTHER CHANGES					
Loss event (Note 14)	(333,045)	-	-	(333,045)	-
CHANGE IN NET ASSETS	(807,132)	366,610	-	(440,522)	2,197,812
NET ASSETS, BEGINNING OF YEAR	<u>5,377,808</u>	<u>4,601,805</u>	<u>-</u>	<u>9,979,613</u>	<u>7,781,801</u>
NET ASSETS, END OF YEAR	<u>\$ 4,570,676</u>	<u>\$ 4,968,415</u>	<u>\$ -</u>	<u>\$ 9,539,091</u>	<u>\$ 9,979,613</u>

See independent auditors' report.

ADDITIONAL INFORMATION

**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***

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, 2024, 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 30, 2025.

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

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 30, 2025