



*Report of Independent Auditors and  
Financial Statements*

**California ChangeLawyers and Subsidiary**

*December 31, 2021*

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## **Report of Independent Auditors**

The Board of Directors  
California ChangeLawyers and Subsidiary

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of California ChangeLawyers (a nonprofit organization) and Subsidiary (collectively, "ChangeLawyers"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ChangeLawyers as of December 31, 2021, and the results of their operations and their cash flows for the years 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ChangeLawyers 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.

#### ***Emphasis of Matter***

##### *Prior Period Adjustments*

As described in Note 12 to the consolidated financial statements, California ChangeLawyers. has restated its 2020 financial statements to appropriately reflect certain revenue transactions that were recognized in the wrong period. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ChangeLawyers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ChangeLawyers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ChangeLawyers' 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of financial position and consolidating statement of activities and changes in net assets are fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California

December 13, 2022

## **Consolidated Financial Statements**

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**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2021**

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**ASSETS**

CURRENT ASSETS

Cash and cash equivalents	\$ 2,027,000
Grants and accounts receivable	406,802
Pledges receivable	87,500
Prepaid expenses and other	67,070
Investments	<u>2,312,595</u>

Total assets	<u><u>\$ 4,900,967</u></u>
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**LIABILITIES AND NET ASSETS**

LIABILITIES

Accounts payable	\$ 86,825
Accrued liabilities	<u>574,584</u>

Total liabilities	<u>661,409</u>
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NET ASSETS

Without donor restrictions	1,320,561
Without donor restrictions - board designated	2,312,596
With donor restrictions	<u>606,401</u>

Total net assets	<u>4,239,558</u>
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Total liabilities and net assets	<u><u>\$ 4,900,967</u></u>
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**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Cal Bar Affinity	\$ 1,284,074	\$ 512,500	\$ 1,796,574
Contributions	221,110	585,178	806,288
State bar licensee donations	381,346	-	381,346
Special events income, net	50,427	-	50,427
Other income	1,833	-	1,833
In-kind contributions	13,950	-	13,950
Cy pres awards	2,634	-	2,634
Releases from restrictions	943,022	(943,022)	-
	<u>2,898,396</u>	<u>154,656</u>	<u>3,053,052</u>
Total revenue and support			
<b>EXPENSES</b>			
Program services	2,225,724	-	2,225,724
Management and general	207,761	-	207,761
Fundraising	366,866	-	366,866
	<u>2,800,351</u>	<u>-</u>	<u>2,800,351</u>
Total expenses			
<b>NET OPERATING INCOME</b>	<u>98,045</u>	<u>154,656</u>	<u>252,701</u>
Gain from forgiveness of PPP loan	199,600	-	199,600
Investment income, net	203,819	-	203,819
	<u>501,464</u>	<u>154,656</u>	<u>656,120</u>
<b>CHANGE IN NET ASSETS</b>			
NET ASSETS, beginning of year, as previously stated	3,090,218	651,745	3,741,963
Effect of restatement - Note 12	41,475	(200,000)	(158,525)
	<u>3,131,693</u>	<u>451,745</u>	<u>3,583,438</u>
NET ASSETS, beginning of year, as restated			
NET ASSETS, end of year	<u>\$ 3,633,157</u>	<u>\$ 606,401</u>	<u>\$ 4,239,558</u>



**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services					Total Program Services	Management and General	Fundraising	Total 2021
	Grants	Scholarships	Law Fellows	Leadership	Affinity / Insurance				
Salaries	\$ 60,507	\$ 60,507	\$ 138,333	\$ -	\$ 150,583	\$ 409,930	\$ 73,882	\$ 217,620	\$ 701,432
Payroll taxes	4,178	4,178	10,793	-	11,258	30,407	6,844	15,543	52,794
Employee benefits	6,274	6,601	12,841	-	22,947	48,663	7,544	30,077	86,284
<b>Total personnel costs</b>	<b>70,959</b>	<b>71,286</b>	<b>161,967</b>	<b>-</b>	<b>184,788</b>	<b>489,000</b>	<b>88,270</b>	<b>263,240</b>	<b>840,510</b>
<b>OTHER EXPENSES</b>									
Grants, scholarships, and stipends	705,835	405,687	20,000	28,825	-	1,160,347	-	-	1,160,347
Income tax expense	-	-	-	-	374,576	374,576	-	-	374,576
Professional services	5,514	5,506	34,157	-	34,284	79,461	16,800	25,058	121,319
Occupancy	10,222	10,222	23,370	1,500	23,445	68,759	12,482	36,792	118,033
Accounting	-	-	-	-	-	-	39,276	-	39,276
Conference and meetings	-	-	-	-	-	-	1,282	75	1,357
Insurance	-	-	-	-	21,878	21,878	12,479	-	34,357
Information technology	-	-	-	-	-	-	4,226	5,063	9,289
Dues, license, and service fees	2,000	-	-	-	4,553	6,553	1,113	28	7,694
In-kind legal services	-	-	-	-	-	-	13,950	-	13,950
Telephone	270	320	370	-	-	960	6,011	1,260	8,231
Miscellaneous	-	15,026	-	-	1,676	16,702	9,943	-	26,645
Advertising	-	-	340	-	1,818	2,158	-	33,808	35,966
Postage	-	329	150	-	294	773	290	418	1,481
Travel and meals	201	620	1,412	-	70	2,303	1,494	910	4,707
Supplies	-	386	1,868	-	-	2,254	145	214	2,613
<b>Total other expenses</b>	<b>724,042</b>	<b>438,096</b>	<b>81,667</b>	<b>30,325</b>	<b>462,594</b>	<b>1,736,724</b>	<b>119,491</b>	<b>103,626</b>	<b>1,959,841</b>
<b>Total expenses</b>	<b>\$ 795,001</b>	<b>\$ 509,382</b>	<b>\$ 243,634</b>	<b>\$ 30,325</b>	<b>\$ 647,382</b>	<b>\$ 2,225,724</b>	<b>\$ 207,761</b>	<b>\$ 366,866</b>	<b>\$ 2,800,351</b>

**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 656,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss	104,318
Gain from forgiveness of PPP loan	(199,600)
(Increase) decrease in operating assets:	
Grants receivable and accounts receivable	384,657
Pledges receivable	97,500
Prepaid expenses and other	(31,987)
Increase (decrease) in operating liabilities:	
Accounts payable	54,664
Accrued liabilities	219,720
	<u>1,285,392</u>
Net cash provided by operating activities	<u>1,285,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,110,373)
Sale of investments	802,235
	<u>(308,138)</u>
Net cash used in investing activities	<u>(308,138)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from paycheck protection program loan	72,800
	<u>72,800</u>
Net cash provided by financing activities	<u>72,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,050,054
CASH AND CASH EQUIVALENTS, beginning of year	<u>976,946</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,027,000</u>
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION	
Taxes paid	\$ 340,200
NONCASH FINANCING ACTIVITY	
Gain from forgiveness of PPP loan	\$ 199,600

# California ChangeLawyers and Subsidiary

## Notes to Consolidated Financial Statements

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### NOTE 1 – ORGANIZATION

California ChangeLawyers is a nonprofit public benefit corporation whose mission is to build a better justice system for all Californians. A state as diverse as California should have a justice system led by advocates of all races and ethnicities. However, only one-fifth of California lawyers are people of color and only two-fifths are women even though the state is majority people of color and women. California ChangeLawyers empowers the next generation of legal changemakers to build a more diverse profession, a fair justice system, and a better California. Righting historical wrongs in our classrooms, courtrooms, and beyond will allow us to truly deliver the original American value – justice for all. Every year, we create greater opportunities for diverse members of the legal community by distributing scholarships and fellowships, as well as providing grants to non-profit organizations that are strengthening the pipeline to law.

Cal Bar Affinity, Inc. (“CBA”), is a company that was incorporated in 2018 as a California for-profit, wholly owned subsidiary of California ChangeLawyers. CBA’s primary purpose is to oversee, administer, and receive revenue from certain affinity and insurance programs and to distribute net earnings derived from the programs under California Business and Professions Code 6141.3. CBA has a resource sharing agreement with CCL to provide some administrative services.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of consolidation** – The consolidated financial statements of the organization include the accounts of California ChangeLawyers and its wholly owned subsidiary, Cal Bar Affinity Inc. and are collectively referred to as ChangeLawyers. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of accounting** – The financial statements are prepared on the accrual basis of accounting.

**Basis of presentation** – Resources are classified for accounting and reporting purposes into two classes of net assets according to externally imposed restrictions:

*Without donor restrictions* – Net assets that are not subject to donor restrictions, available for use in general operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*Without donor restrictions – Board Designated* – The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve to support the longer-term financial health of the organization. Such funds are invested in a portfolio intended to preserve the value of such services with a secondary objective of providing supplemental operating funds to ChangeLawyers. The current spending policy is to appropriate for operational use 4.75% of the prior three-year average year-end balance of the relate investment portfolio.

*With donor restrictions* – These net assets are subject to imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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**Cash and cash equivalents** – ChangeLawyers has defined cash as balances in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to interest rate variability is negligible. These are generally investments with maturity dates within three months of the acquisition date.

**Grants and accounts receivable** – Grants consist of amounts due from grantors. Management reviews the collectability of the receivables on an ongoing basis and no reserve for doubtful receivables has been established, as the receivables are deemed fully collectible.

Accounts receivable primarily consist of amounts due from corporate partners and the State Bar of California. Estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable rather than allowance for doubtful accounts. For the year ended December 31, 2021, ChangeLawyers did not recognize any implicit price concessions, as the receivables are deemed fully collectible.

**Investments** – ChangeLawyers values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the consolidated statement of activities and changes in net assets as investment income, net. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

**Concentration of credit risks** – ChangeLawyers places its temporary cash investments with quality financial institutions. At times, such investment may be in excess of the Federal Deposit Insurance Corporation insurance limit. ChangeLawyers has not incurred losses related to these investments.

Balances in ChangeLawyers' investment account are insured by the Securities Investor Protection Corporation up to \$500,000, which includes a \$250,000 limit for cash.

**Fair value measurements** – ChangeLawyers determines the fair value of assets and liabilities consistent with a fair value framework that establishes a hierarchy for measuring fair value, and requires disclosures about the use of fair value measurements.

Fair value measurement reporting provides a consistent definition of fair value that focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement reporting also prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. ChangeLawyers' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

ChangeLawyers is required to measure certain investments and in-kind contributions as fair value. The specific techniques used to measure fair value for these consolidated financial statement elements are described in the notes below that relate to each element.

**Revenue recognition** – Cal Bar Affinity - ChangeLawyers recognizes revenues generated through contractual agreements. Revenue is recognized for these services in the year the service is provided as performance obligations are satisfied over the service period.

California Business and Professions Code Section 6141.3 governs ChangeLawyers' distribution of funds received as dividends from Cal Bar Affinity. In 2021, half of the revenue received from CBA is dedicated to ChangeLawyers programs and the other half must be distributed to qualified legal services projects and support centers in accordance with the formula provided in California Business and Professions Code Section 6216.

Contributions are recognized in full when received or unconditionally promised. Contributions with restrictions are initially reported as an increase in net assets with donor restrictions. When restrictions expire (generally as payments are made to fulfill the imposed purpose of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Gain from forgiveness of PPP loan – During the year ended December 31, 2020, ChangeLawyers was granted a loan under the Paycheck Protection Program ("PPP") offered by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), section 7(a)(36) of the Small Business Act for \$199,600. This loan was subject to partial or full forgiveness if the Agency uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the various rules, regulations, and guidance. ChangeLawyers received full forgiveness of the loan during the year ended December 31, 2021, and has accounted the gain from extinguishment of debt in accordance with ASC Topic 405, *Debt*.

**Contributed services** – Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions are donated services that created or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

**Functional allocation of expenses** – Costs of providing ChangeLawyers 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 based upon usage, employee ratios, and square footage of occupied space.

**Income taxes** – ChangeLawyers is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d and is considered by the Internal Revenue Service to be an organization other than a private foundation.

## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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Generally accepted accounting principles provide accounting 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 ChangeLawyers in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Cal Bar Affinity Inc., a for-profit corporation, files separate income tax returns.

**Use of estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**New accounting pronouncements** – In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The effective date of ASU 2016-02 for AFS was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2021. These ASUs are effective for ChangeLawyers for the year ending December 31, 2022. Management is currently evaluating the impact of the provisions of these ASUs on the consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU 2020-07 is effective for ChangeLawyers for the year ending December 31, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the consolidated financial statements.

## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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### NOTE 3 – LIQUIDITY AND AVAILABILITY

ChangeLawyers regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the effectiveness of its available funds. ChangeLawyers has several sources of liquidity at its disposal, including cash, certificates of deposit, and mutual funds.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, ChangeLawyers considers all expenditures related to its ongoing philanthropic and programmatic activities and the pattern of income from grants, contracts, donations, and other support.

In addition, ChangeLawyers strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. ChangeLawyers grants and scholarships typically represent approximately 50% of the expected annual cash needs.

A board designated reserve is maintained and as of December 31, 2021, the balance of the reserve of \$2,312,595, equaled more than ten-months of general expenditures. ChangeLawyers draws a payout of 4.75% of the average year-end reserve balance of the prior three years.

The financial assets available for general expenditures, that is without donor imposed restriction or other restrictions limiting their use, within one year of the consolidated statement of financial position at December 31, 2021, consist of the following:

Cash and cash equivalents	\$ 2,027,000
Grants receivable and accounts receivable	406,802
Pledges receivable	87,500
Investments	<u>2,312,595</u>
 Total financial assets at year end	 4,833,897
 Less: financial assets with donor restrictions	 <u>(606,401)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 4,227,496</u></u>

### NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are recorded at estimated net realizable value in the period received. All pledges are deemed to be fully collectible; therefore, no allowance for doubtful accounts has been recorded. Pledges receivable at December 31, 2021 of \$87,500 are expected to be collected within one year.

# California ChangeLawyers and Subsidiary

## Notes to Consolidated Financial Statements

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### NOTE 5 – INVESTMENTS

Investments at December 31, 2021 consist of the following:

Equity funds	\$	1,312,126
Fixed income		737,162
Cash equivalents		254,739
Mutual funds		8,568
		<hr/>
Total	\$	<u>2,312,595</u>

Investment income, net for the years ended December 31, 2021 consist of the following:

Unrealized loss	\$	(104,318)
Realized gain		215,332
Dividends		91,509
Interest		1,296
		<hr/>
Total	\$	<u>203,819</u>

### NOTE 6 – COMMITMENTS AND CONTINGENCIES

#### Obligations under operating leases

ChangeLawyers leases an office space in San Francisco and entered into a five-year lease agreement that commenced in June 2019. Future minimum payments, by year and in the aggregate, under this lease consist of the following:

Year ending December 31,

2022	\$	99,922
2023		102,919
2024		43,410
		<hr/>
Total	\$	<u>246,251</u>

Rent expense for the years ended December 31, 2021 was \$93,061.



## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 are restricted for the following:

IOLTA-formula grants	\$ 512,500
First year law school diversity scholarships (1L)	48,523
Final year law school diversity scholarships (3L)	30,190
Immigration law fellows	12,156
Civics education	3,032
	<hr/>
	\$ 606,401
	<hr/> <hr/>

All net assets with donor restrictions are expected to be released from restrictions by December 31, 2025.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. For the year ended December 31, 2021, net assets released from donor restrictions were for the following purposes:

Lemala fund	\$ 100,000
IOLTA-formula grants	200,000
First year law school diversity scholarships (1L)	344,500
Final year law school diversity scholarships (3L)	50,221
Immigration law fellows	228,301
Law fellows grants	20,000
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	\$ 943,022
	<hr/> <hr/>

### NOTE 8 – IN-KIND CONTRIBUTIONS

ChangeLawyers received donated legal services for the year ended December 31, 2021 that were valued at \$13,950.

### NOTE 9 – PARTNERSHIP ACTIVITY

During the year ended December 31, 2021, ChangeLawyers received \$381,346 in pass-through support from the State Bar of California licensees via a voluntary fee statement check-off program. In addition, ChangeLawyers maintains a relationship with the State Bar of California through its subsidiary, Cal Bar Affinity, which markets insurance programs whose contracts are held by the State Bar of California.

### NOTE 10 – RETIREMENT PLAN

ChangeLawyers offers a 403(b) retirement plan to staff members working more than 20 hours per week. ChangeLawyers makes no matching or other employer contributions to the plan.

# California ChangeLawyers and Subsidiary

## Notes to Consolidated Financial Statements

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### NOTE 11 – FAIR VALUE MEASUREMENTS

The following table represents ChangeLawyers' fair value hierarchy for its financial assets was the following at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,312,126	\$ -	\$ -	\$ 1,312,126
Fixed income	-	737,162	-	737,162
Mutual funds	8,568	-	-	8,568
	<u>\$ 1,320,694</u>	<u>\$ 737,162</u>	<u>\$ -</u>	<u>\$ 2,057,856</u>

### NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2021, ChangeLawyer's management received payment related to the affinity program that should have been recognized as revenue during the year ended December 31, 2020. The impact of the prior period adjustment to ChangeLawyers's beginning net assets-without donor restrictions at January 1, 2021 for this error was a reduction to corporate income in the amount of \$41,475, with a corresponding increase in net assets-without donor restrictions. The impact of the prior period adjustment to ChangeLawyers's change in net assets reported at December 31, 2020 is an increase in the amount of \$41,475.

During the year ended December 31, 2020, ChangeLawyer's management received a grant with installments to be paid after certain conditions were met. Revenue was recognized when the grant agreement was executed instead of upon satisfaction of grant requirements. The impact of the prior period adjustment to ChangeLawyer's beginning net assets-with donor restrictions at January 1, 2021 for this adjustment was a reduction to grants and accounts receivable in the amount of \$200,000 with a corresponding decrease in net assets-with donor restrictions. The impact of the prior period adjustment to ChangeLawyer's change in net assets reported for the year ended December 31, 2020 is a decrease in the amount of \$200,000.

The effect of these corrections, as of and for the year ended December 31, 2020, is as follows:

	As Originally Reported	Effect of Correction	As Restated
Net assets - without donor restrictions	\$ 3,090,218	\$ 41,475	\$ 3,131,693
Net assets - with donor restrictions	\$ 651,745	\$ (200,000)	\$ 451,745

### NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. ChangeLawyers recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position including estimates inherent in the process of preparing financial statements. ChangeLawyers' financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued.

## California ChangeLawyers and Subsidiary Notes to Consolidated Financial Statements

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ChangeLawyers has evaluated subsequent events through December 13, 2022, which is the date the financial statements were available to be issued.

## **Supplementary Information**

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**California ChangeLawyers and Subsidiary**  
**Consolidating Statement of Financial Position**  
**December 31, 2021**

	<u>ChangeLawyers</u>	<u>Cal Bar Affinity, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,283,906	\$ 743,094	\$ -	\$ 2,027,000
Grants and accounts receivable	89,187	322,852	(5,237)	406,802
Pledges receivable	87,500	-	-	87,500
Prepaid expenses and deposits	28,137	38,933	-	67,070
Investments	2,312,596	-	(1)	2,312,595
Total assets	<u>\$ 3,801,326</u>	<u>\$ 1,104,879</u>	<u>\$ (5,238)</u>	<u>\$ 4,900,967</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 16,789	\$ 75,273	\$ (5,237)	\$ 86,825
Accrued liabilities	569,375	5,209	-	574,584
Total liabilities	<u>586,164</u>	<u>80,482</u>	<u>(5,237)</u>	<u>661,409</u>
<b>NET ASSETS</b>				
Without donor restrictions	296,165	1,024,396	-	1,320,561
Without donor restrictions - board designated	2,312,596	-	-	2,312,596
With donor restrictions	606,401	-	-	606,401
Ordinary stock, 100 shares authorized and issued	-	1	(1)	-
Total net assets	<u>3,215,162</u>	<u>1,024,397</u>	<u>(1)</u>	<u>4,239,558</u>
Total liabilities and net assets	<u>\$ 3,801,326</u>	<u>\$ 1,104,879</u>	<u>\$ (5,238)</u>	<u>\$ 4,900,967</u>

**California ChangeLawyers and Subsidiary**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2021**

	California ChangeLawyers		Total	Cal Bar Affinity, Inc.	Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions				
<b>REVENUE AND SUPPORT</b>						
Cal Bar Affinity	\$ 521,435	\$ 512,500	\$ 1,033,935	\$ 1,796,574	\$ (1,033,935)	\$ 1,796,574
Contributions	221,110	585,178	806,288	-	-	806,288
State bar licensee donations	381,346	-	381,346	-	-	381,346
Special events income, net	50,427	-	50,427	-	-	50,427
Other income	1,833	-	1,833	-	-	1,833
In-kind contributions	13,950	-	13,950	-	-	13,950
Cy pres awards	2,634	-	2,634	-	-	2,634
Net assets released from restrictions	943,022	(943,022)	-	-	-	-
Total revenue and support	<u>2,135,757</u>	<u>154,656</u>	<u>2,290,413</u>	<u>1,796,574</u>	<u>(1,033,935)</u>	<u>3,053,052</u>
<b>EXPENSES</b>						
Program services	1,578,342	-	1,578,342	1,681,317	(1,033,935)	2,225,724
Management and general	207,761	-	207,761	-	-	207,761
Fundraising	366,866	-	366,866	-	-	366,866
Total expenses	<u>2,152,969</u>	<u>-</u>	<u>2,152,969</u>	<u>1,681,317</u>	<u>(1,033,935)</u>	<u>2,800,351</u>
<b>NET OPERATING INCOME</b>	<u>(17,212)</u>	<u>154,656</u>	<u>137,444</u>	<u>115,257</u>	<u>-</u>	<u>252,701</u>
Gain from forgiveness of PPP loan	199,600	-	199,600	-	-	199,600
Investment income, net	203,819	-	203,819	-	-	203,819
<b>CHANGE IN NET ASSETS</b>	<u>386,207</u>	<u>154,656</u>	<u>540,863</u>	<u>115,257</u>	<u>-</u>	<u>656,120</u>
<b>NET ASSETS, beginning of year, as previously stated</b>	<u>2,222,554</u>	<u>651,745</u>	<u>2,874,299</u>	<u>867,664</u>	<u>-</u>	<u>3,741,963</u>
Effect of restatement - Note 12	-	(200,000)	(200,000)	41,475	-	(158,525)
<b>NET ASSETS, beginning of year, as restated</b>	<u>2,222,554</u>	<u>451,745</u>	<u>2,674,299</u>	<u>909,139</u>	<u>-</u>	<u>3,583,438</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,608,761</u>	<u>\$ 606,401</u>	<u>\$ 3,215,162</u>	<u>\$ 1,024,396</u>	<u>\$ -</u>	<u>\$ 4,239,558</u>

