



Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

**California ChangeLawyers and Subsidiary**

December 31, 2022

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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, 2022, 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, 2022, 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.

#### ***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.

### ***Emphasis of Matter – New Accounting Standard***

As discussed in Note 2 to the consolidated financial statements, ChangeLawyers adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as of January 1, 2022, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

***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 11, 2023

## **Consolidated Financial Statements**

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**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2022**

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**ASSETS**

Cash and cash equivalents	\$ 2,673,609
Grants and accounts receivable	519,241
Pledges receivable	129,450
Prepaid expenses and other	75,537
Operating right-of-use asset	139,752
Investments	<u>1,677,465</u>
Total assets	<u><u>\$ 5,215,054</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 52,161
Accrued liabilities	64,944
Lease liability	<u>141,727</u>
Total liabilities	<u>258,832</u>

**NET ASSETS**

Without donor restrictions	1,547,752
Without donor restrictions - board designated	2,312,596
With donor restrictions	<u>1,095,874</u>
Total net assets	<u>4,956,222</u>
Total liabilities and net assets	<u><u>\$ 5,215,054</u></u>

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See accompanying notes.

**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Cal Bar Affinity	\$ 1,386,578	\$ 675,000	\$ 2,061,578
Contributions	394,390	997,134	1,391,524
State bar licensee donations	426,172	-	426,172
Special events income, net	(1,248)	-	(1,248)
Other income	9,719	-	9,719
In-kind contributions	218,540	-	218,540
Cy pres awards	1,132	-	1,132
Releases from restrictions	1,182,661	(1,182,661)	-
	<u>3,617,944</u>	<u>489,473</u>	<u>4,107,417</u>
Total revenue and support			
<b>EXPENSES</b>			
Program services	2,247,338	-	2,247,338
Management and general	496,604	-	496,604
Fundraising	294,545	-	294,545
	<u>3,038,487</u>	<u>-</u>	<u>3,038,487</u>
Total expenses			
NET OPERATING INCOME	579,457	489,473	1,068,930
INVESTMENT LOSS, net	(352,266)	-	(352,266)
CHANGE IN NET ASSETS	<u>227,191</u>	<u>489,473</u>	<u>716,664</u>
NET ASSETS, beginning of year	<u>3,633,157</u>	<u>606,401</u>	<u>4,239,558</u>
NET ASSETS, end of year	<u>\$ 3,860,348</u>	<u>\$ 1,095,874</u>	<u>\$ 4,956,222</u>

See accompanying notes.



**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	Program Services					Total Program Services	Management and General	Fundraising	Total 2022
	Grants	Scholarships	Law Fellows	Leadership	Affinity/Insurance				
Salaries	\$ 71,068	\$ 71,068	\$ 135,625	\$ -	\$ 160,000	\$ 437,761	\$ 78,960	\$ 183,863	\$ 700,584
Payroll taxes	4,855	4,855	9,754	-	11,639	31,103	6,140	12,736	49,979
Employee benefits	7,471	7,826	12,638	-	20,272	48,207	20,032	30,200	98,439
Total personnel costs	83,394	83,749	158,017	-	191,911	517,071	105,132	226,799	849,002
<b>OTHER EXPENSES</b>									
Grants, scholarships, and stipend:	514,443	424,174	22,099	43,022	-	1,003,738	-	-	1,003,738
Income tax expense	-	-	-	-	405,131	405,131	-	-	405,131
Professional services	4,306	19,750	40,247	-	86,211	150,514	55,889	4,984	211,387
Occupancy	14,045	14,045	26,803	-	1,800	56,693	17,580	36,336	110,609
Accounting	-	-	-	-	-	-	40,433	-	40,433
Conference and meetings	-	-	-	-	-	-	996	-	996
Insurance	-	-	-	-	24,133	24,133	11,522	-	35,655
Information technology	278	153	1,010	-	-	1,441	10,542	2,499	14,482
Dues, license, and service fees	4,500	-	615	-	10,791	15,906	1,120	-	17,026
In-kind legal services	-	-	-	-	-	-	218,540	-	218,540
Printing and publications	-	-	-	-	-	-	3,746	11,727	15,473
Telephone	140	180	640	-	-	960	4,913	1,060	6,933
Miscellaneous	-	-	-	5,000	7,232	12,232	6,950	1,546	20,728
Advertising	-	-	-	-	19,646	19,646	-	240	19,886
Postage	-	38	-	-	-	38	545	8,465	9,048
Travel and meals	499	869	2,609	-	6,688	10,665	17,850	873	29,388
Supplies	-	2,222	295	-	26,653	29,170	846	16	30,032
Total other expenses	538,211	461,431	94,318	48,022	588,285	1,730,267	391,472	67,746	2,189,485
Total expenses	\$ 621,605	\$ 545,180	\$ 252,335	\$ 48,022	\$ 780,196	\$ 2,247,338	\$ 496,604	\$ 294,545	\$ 3,038,487

See accompanying notes.

**California ChangeLawyers and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2022**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 716,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss	604,712
(Increase) decrease in operating assets:	
Grants receivable and accounts receivable	(112,439)
Pledges receivable	(41,950)
Prepaid expenses and other	(8,467)
Operating right-of-use asset	-
Increase (decrease) in operating liabilities:	
Accounts payable	(34,664)
Accrued liabilities	(509,640)
Operating lease liability	1,975
	<u>1,975</u>
Net cash provided by operating activities	<u>616,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,457,962)
Sale of investments	1,488,380
	<u>1,488,380</u>
Net cash provided by investing activities	<u>30,418</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	646,609
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,027,000</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,673,609</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash paid during the year for income taxes	\$ 405,131
Operating leases right-of-use assets as a result of implementation of ASC 842	\$ 235,755

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See accompanying notes.

# 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 34 percent of California lawyers are people of color and only 44 percent 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 nonprofit 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 California ChangeLawyers 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 related investment portfolio.

## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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*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.

**Measure of operations** – The consolidated statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consists of those items attributable to ChangeLawyers and Cal Bar Affinity. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**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, 2022, 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.

**Leases** – Transactions give rise to leases when ChangeLawyers receives substantially all of the economic benefits from and has the ability to direct the use of the specified property and equipment. The Agency primarily has lessee activity that is classified as operating leases and are included in operating lease right-of-use assets and operating lease liabilities in the consolidated statement of financial position.

## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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Operating lease right-of-use assets represents the right to use an underlying asset for the lease term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, ChangeLawyers uses the risk-free rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Certain lease agreements contain rent escalation provisions. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended. ChangeLawyers has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than twelve months. ChangeLawyers has elected the practical expedient to combine lease and nonlease components, which primary relate to common area maintenance, as a single lease component.

**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 (FDIC) 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. At December 31, 2022, all of ChangeLawyers' cash was fully insured by the FDIC.

**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 2022, 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 statement of activities and changes in net assets as net assets released from restrictions.

**Contributed services** – Contributions of donated noncash assets are measured on a nonrecurring basis and recorded at fair value in the period received. Contributions are donated services that created or enhance nonfinancial 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.

Accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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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 U.S. 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 Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 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 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. ChangeLawyers adopted this ASU as of January 1, 2022, using the modified retrospective approach.

The adoption of this standard resulted in the recognition of operating right-of-use assets and operating lease liability of \$235,755 as of January 1, 2022 for its lease. ChangeLawyers will amortize the operating right-of-use asset over the lease term accordingly. The operating lease expenses are included in ChangeLawyers’ consolidated statement of activities and changes in net assets.

In September 2020, FASB issued ASU 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. See Note 8 for disclosures related to contributions of nonfinancial assets.

### 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.

## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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A board designated reserve is maintained and as of December 31, 2022, the balance of the reserve of \$2,312,596, 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, 2022, consist of the following:

Cash and cash equivalents	\$ 2,673,609
Grants receivable and accounts receivable	519,241
Pledges receivable	129,450
Investments	<u>1,677,465</u>
Total financial assets at year end	4,999,765
Less: financial assets with donor restrictions	<u>(1,095,874)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,903,891</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, 2022 of \$129,450 are expected to be collected within one year.

#### Note 5 – Investments

Investments at December 31, 2022 consist of the following:

Equity funds	\$ 1,006,309
Fixed income	664,329
Mutual funds	<u>6,827</u>
Total	<u><u>\$ 1,677,465</u></u>

Investment income, net for the year ended December 31, 2022 consist of the following:

Unrealized loss	\$ (604,712)
Realized gain	218,409
Dividends	32,491
Interest	<u>1,546</u>
Total	<u><u>\$ (352,266)</u></u>



## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 6 – Right-of-Use Asset and Lease Liability

**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. The lease does not have residual value guarantees or restrictions or covenants imposed.

ChangeLawyers utilized its risk-free rate of 2.5% to determine the lease liability and right-to-use asset as of December 31, 2022. The right-of-use asset balance at December 31, 2022 was \$139,752.

At December 31, 2022, the undiscounted future lease payments over the lease term for operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities, were as follows:

Year ending December 31:

2023	\$	102,919
2024		43,410
Total lease payments		146,329
Less: imputed interest		(4,602)
Operating lease liability as of December 31, 2022	\$	141,727

The following table includes supplemental lease information as of and for the year ended December 31, 2022:

Lease Term and Discount Rate

Cash paid for amounts included in the measurement of lease liabilities	\$	99,922
Weighted average remaining lease term (in years)		2.42
Weighted average discount rate		2.50%

The operating lease cost for the year ended December 31, 2022 was \$108,634.

#### Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 are restricted for the following:

IOLTA-formula grants	\$	675,000
First year law school diversity scholarships (1L)		8,524
Anjan Choudhury Memorial Scholarships		412,350
	\$	1,095,874

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

## California ChangeLawyers and Subsidiary

### Notes to Consolidated Financial Statements

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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, 2022, net assets released from donor restrictions were for the following purposes:

Lemala fund	\$ 100,000
IOLTA-formula grants	512,500
First year law school diversity scholarships (1L)	284,600
Final year law school diversity scholarships (3L)	83,690
Civics education	3,031
Immigration law fellows	177,740
Law fellows grants	10,000
Anjan Choudhury Memorial Scholarships	11,100
	<hr/>
	\$ 1,182,661
	<hr/> <hr/>

#### **Note 8 – In-kind Contributions**

ChangeLawyers received donated legal services for the year ended December 31, 2022 that were valued at \$218,540. ChangeLawyers valued services received at fair value based on current billing rates from the contributing attorneys for these services.

#### **Note 9 – Partnership Activity**

During the year ended December 31, 2022, ChangeLawyers received \$426,172 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, 2022:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,006,309	\$ -	\$ -	\$ 1,006,309
Fixed income	-	664,329	-	664,329
Mutual funds	6,827	-	-	6,827
	\$ 1,013,136	\$ 664,329	\$ -	\$ 1,677,465

#### Note 12 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued.

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

ChangeLawyers has evaluated subsequent events through December 11, 2023, which is the date the consolidated financial statements were available to be issued.

## **Supplementary Information**

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**California ChangeLawyers and Subsidiary**  
**Consolidating Statement of Financial Position**  
**December 31, 2022**

	<u>ChangeLawyers</u>	<u>Cal Bar Affinity, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,225,167	\$ 448,442	\$ -	\$ 2,673,609
Grants and accounts receivable	34,787	489,241	(4,787)	519,241
Pledges receivable	129,450	-	-	129,450
Prepaid expenses and deposits	26,024	49,513	-	75,537
Operating right-of-use asset	139,752	-	-	139,752
Investments	1,677,466	-	(1)	1,677,465
	<u>1,677,466</u>	<u>-</u>	<u>(1)</u>	<u>1,677,465</u>
Total assets	<u>\$ 4,232,646</u>	<u>\$ 987,196</u>	<u>\$ (4,788)</u>	<u>\$ 5,215,054</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 29,938	\$ 27,010	\$ (4,787)	\$ 52,161
Accrued liabilities	52,050	12,894	-	64,944
Lease liability	141,727	-	-	141,727
	<u>141,727</u>	<u>-</u>	<u>-</u>	<u>141,727</u>
Total liabilities	<u>223,715</u>	<u>39,904</u>	<u>(4,787)</u>	<u>258,832</u>
<b>NET ASSETS</b>				
Without donor restrictions	600,461	947,291	-	1,547,752
Without donor restrictions - board designated	2,312,596	-	-	2,312,596
With donor restrictions	1,095,874	-	-	1,095,874
Ordinary stock, 100 shares authorized and issued	-	1	(1)	-
	<u>-</u>	<u>1</u>	<u>(1)</u>	<u>-</u>
Total net assets	<u>4,008,931</u>	<u>947,292</u>	<u>(1)</u>	<u>4,956,222</u>
Total liabilities and net assets	<u>\$ 4,232,646</u>	<u>\$ 987,196</u>	<u>\$ (4,788)</u>	<u>\$ 5,215,054</u>

**California ChangeLawyers and Subsidiary**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2022**

	California ChangeLawyers		Total	Cal Bar Affinity, Inc.	Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions				
<b>REVENUE AND SUPPORT</b>						
Cal Bar Affinity	\$ 683,487	\$ 675,000	\$ 1,358,487	\$ 2,053,091	\$ (1,350,000)	\$ 2,061,578
Contributions	394,390	997,134	1,391,524	-	-	1,391,524
State bar licensee donations	426,172	-	426,172	-	-	426,172
Special events income, net	(1,248)	-	(1,248)	-	-	(1,248)
Other income	9,719	-	9,719	-	-	9,719
In-kind contributions	218,540	-	218,540	-	-	218,540
Cy pres awards	1,132	-	1,132	-	-	1,132
Net assets released from restrictions	1,182,661	(1,182,661)	-	-	-	-
Total revenue and support	<u>2,914,853</u>	<u>489,473</u>	<u>3,404,326</u>	<u>2,053,091</u>	<u>(1,350,000)</u>	<u>4,107,417</u>
<b>EXPENSES</b>						
Program services	1,467,142	-	1,467,142	2,130,196	(1,350,000)	2,247,338
Management and general	496,604	-	496,604	-	-	496,604
Fundraising	294,545	-	294,545	-	-	294,545
Total expenses	<u>2,258,291</u>	<u>-</u>	<u>2,258,291</u>	<u>2,130,196</u>	<u>(1,350,000)</u>	<u>3,038,487</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>656,562</u>	<u>489,473</u>	<u>1,146,035</u>	<u>(77,105)</u>	<u>-</u>	<u>1,068,930</u>
<b>INVESTMENT LOSS, net</b>	<u>(352,266)</u>	<u>-</u>	<u>(352,266)</u>	<u>-</u>	<u>-</u>	<u>(352,266)</u>
<b>CHANGE IN NET ASSETS</b>	<u>304,296</u>	<u>489,473</u>	<u>793,769</u>	<u>(77,105)</u>	<u>-</u>	<u>716,664</u>
<b>NET ASSETS, beginning 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>
<b>NET ASSETS, end of year</b>	<u>\$ 2,913,057</u>	<u>\$ 1,095,874</u>	<u>\$ 4,008,931</u>	<u>\$ 947,291</u>	<u>\$ -</u>	<u>\$ 4,956,222</u>

