



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

California ChangeLawyers and Subsidiary

December 31, 2023

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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, 2023, 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, 2023, and the results of their operations 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 (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 consolidated 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 consolidated 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 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 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 consolidated 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 consolidated 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 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, 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 consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
August 30, 2024

Consolidated Financial Statements

California ChangeLawyers and Subsidiary
Consolidated Statement of Financial Position
December 31, 2023

ASSETS

Cash and cash equivalents	\$ 2,040,077
Grants and accounts receivable	147,096
Pledges receivable	571,342
Prepaid expenses and other	88,485
Operating right-of-use asset	39,917
Investments	<u>2,518,331</u>
Total assets	<u><u>\$ 5,405,248</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 502,187
Accrued liabilities	94,027
Operating lease liability	<u>41,482</u>
Total liabilities	<u>637,696</u>

NET ASSETS

Without donor restrictions	1,437,685
Without donor restrictions - board designated	2,273,580
With donor restrictions	<u>1,056,287</u>
Total net assets	<u>4,767,552</u>
Total liabilities and net assets	<u><u>\$ 5,405,248</u></u>

See accompanying notes.

California ChangeLawyers and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Cal Bar Affinity	\$ 2,174,634	\$ -	\$ 2,174,634
Contributions	620,661	673,937	1,294,598
State bar licensee donations	503,732	-	503,732
Special events income, net	(1,659)	-	(1,659)
Other income	23,049	-	23,049
Cy pres awards	87,881	-	87,881
Releases from restrictions	713,524	(713,524)	-
	4,121,822	(39,587)	4,082,235
EXPENSES			
Program services	3,753,189	-	3,753,189
Management and general	429,205	-	429,205
Fundraising	319,875	-	319,875
	4,502,269	-	4,502,269
NET OPERATING LOSS	(380,447)	(39,587)	(420,034)
INVESTMENT INCOME, net	231,364	-	231,364
CHANGE IN NET ASSETS	(149,083)	(39,587)	(188,670)
NET ASSETS, beginning of year	3,860,348	1,095,874	4,956,222
NET ASSETS, end of year	\$ 3,711,265	\$ 1,056,287	\$ 4,767,552

See accompanying notes.

California ChangeLawyers and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Grants	Scholarships	Law Fellows	Leadership	Affinity/Insurance				
Salaries	\$ 83,167	\$ 83,167	\$ 145,450	\$ -	\$ 170,000	\$ 481,784	\$ 141,476	\$ 187,677	\$ 810,937
Payroll taxes	5,819	5,819	10,447	-	12,583	34,668	9,693	13,441	57,802
Employee benefits	9,349	9,584	19,155	-	17,413	55,501	11,373	28,461	95,335
Total personnel costs	98,335	98,570	175,052	-	199,996	571,953	162,542	229,579	964,074
OTHER EXPENSES									
Grants, scholarships, and stipend:	1,822,563	362,890	33,019	740	-	2,219,211	-	-	2,219,211
Income tax expense	-	-	-	-	568,296	568,296	-	-	568,296
Professional services	1,250	13,157	20,000	-	110,908	145,315	36,662	-	181,977
Occupancy	-	-	-	-	2,067	2,067	91,399	-	93,466
Accounting	-	-	-	-	-	-	35,875	-	35,875
Conference and meetings	-	509	29	-	-	538	11,896	-	12,434
Insurance	-	-	-	-	25,129	25,129	20,273	-	45,402
Information technology	5,191	5,191	219	-	-	10,601	7,782	4,482	22,865
Dues, license, and service fees	-	-	1,756	-	11,629	13,385	2,598	565	16,548
Printing and publications	-	-	-	-	-	-	39	52,015	52,054
Telephone	230	455	1,200	-	-	1,885	4,099	1,015	6,999
Miscellaneous	-	-	-	-	8,980	8,980	23,223	194	32,397
Advertising	-	-	-	-	83,136	83,136	-	140	83,276
Postage	-	-	-	-	-	-	1,322	3,992	5,314
Travel and meals	-	842	14,716	-	10,736	26,294	21,711	251	48,256
Supplies	-	-	-	-	76,359	76,359	60	-	76,419
Training	20	20	-	-	-	40	9,724	780	10,544
Fundraising expense	-	-	-	-	-	-	-	26,862	26,862
Total other expenses	1,829,254	383,064	70,939	740	897,240	3,181,236	266,663	90,296	3,538,195
Total expenses	<u>\$ 1,927,589</u>	<u>\$ 481,634</u>	<u>\$ 245,991</u>	<u>\$ 740</u>	<u>\$ 1,097,236</u>	<u>\$ 3,753,189</u>	<u>\$ 429,205</u>	<u>\$ 319,875</u>	<u>\$ 4,502,269</u>

See accompanying notes.

California ChangeLawyers and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (188,670)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(114,791)
(Increase) decrease in operating assets:	
Grants receivable and accounts receivable	372,145
Pledges receivable	(441,892)
Prepaid expenses and other	(12,948)
Increase (decrease) in operating liabilities:	
Accounts payable	450,026
Accrued liabilities	29,083
Operating lease liability	<u>(410)</u>
Net cash provided by operating activities	<u>92,543</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,239,668)
Sale of investments	<u>513,593</u>
Net cash used in investing activities	<u>(726,075)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(633,532)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,673,609</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,040,077</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash paid during the year for income taxes	\$ 450,153

See accompanying notes.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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 35 percent of California lawyers are people of color and only 44 percent are women even though the state is majority people of color and 50% women according to the State Bar of California's 2023 Diversity Report Card. 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

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 credit losses 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. In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under Accounting Standards Codification (ASC) 326, *Financial Instruments—Credit Losses (ASC 326)*, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by ChangeLawyers that are subject to the guidance in ASC 326 were accounts receivable.

ChangeLawyers adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

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.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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.

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 cash investments.

Balances in ChangeLawyers' investment account are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At December 31, 2023, all of ChangeLawyers' cash was fully insured by the FDIC and SIPC.

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.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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.

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 2023, 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 – 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.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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.

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.

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, 2023, the balance of the reserve of \$2,273,580, 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, 2023, consist of the following:

Cash and cash equivalents	\$ 2,040,077
Grants and accounts receivable	147,096
Pledges receivable	571,342
Investments	<u>2,518,331</u>
Total financial assets at year end	5,276,846
Less: financial assets with donor restrictions	<u>(1,056,287)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 4,220,559</u></u>

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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, 2023, of \$571,342 are expected to be collected within one year.

Note 5 – Investments

Investments at December 31, 2023, consist of the following:

Equity funds	\$ 543,803
Fixed income	181,879
Cash equivalents	360,242
Mutual funds	<u>1,432,407</u>
Total	<u><u>\$ 2,518,331</u></u>

Investment income, net for the year ended December 31, 2023, consist of the following:

Unrealized gain	\$ 114,791
Realized gain	73,183
Dividends	49,215
Interest	8,844
Less: investment advisor fees	<u>(14,669)</u>
Total	<u><u>\$ 231,364</u></u>

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. There are no extensions that are reasonably possible to be exercised and no amendments.

ChangeLawyers utilized its risk-free rate of 2.5% to determine the lease liability and right-to-use asset as of December 31, 2023. The right-of-use asset balance at December 31, 2023, was \$39,917. There were no new lease modification for the year ended December 31, 2023.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

At December 31, 2023, 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:

<u>Year ending December 31,</u>		
2024	\$	44,156
Less: imputed interest		<u>(2,674)</u>
Operating lease liability as of December 31, 2023	\$	<u><u>41,482</u></u>

The following table includes supplemental lease information as of and for the year ended December 31, 2023:

Lease Term and Discount Rate:

Cash paid for amounts included in the measurement of lease liabilities	\$	102,919
Weighted average remaining lease term (in years)		0.42
Weighted average discount rate		2.50%

The operating lease cost for the year ended December 31, 2023, was \$101,897.

Note 7 – Net Assets with Donor Restrictions

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

Anjan Choudhury Memorial Scholarships	\$	382,350
Bigglesworth Family Foundation		20,000
Immigrant Legal Resource Center		153,937
Cal Bar Affinity		<u>500,000</u>
	\$	<u><u>1,056,287</u></u>

Net assets with donor restrictions for Anjan Choudhury Memorial Scholarships are expected to be released from restrictions by December 31, 2028 and all other donor restrictions are expected to be released from restrictions by December 31, 2025.

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

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, 2023, net assets released from donor restrictions were for the following purposes:

IOLTA-formula grants	\$ 675,000
First year law school diversity scholarships (1L)	8,524
Anjan Choudhury Memorial Scholarships	30,000
	\$ 713,524

Note 8 – Partnership Activity

During the year ended December 31, 2023, ChangeLawyers received \$503,732 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 9 – Retirement Plan

Effective January 1, 2023, ChangeLawyers offered a 401(k) plan. The plan covers all full time employees upon date of hire with immediate eligibility for employer contributions. For the year ended December 31, 2023, ChangeLawyers made contributions of \$8,817.

Note 10 – Fair Value Measurements

The following table represents ChangeLawyers' fair value hierarchy for its financial assets was the following at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 543,803	\$ -	\$ -	\$ 543,803
Fixed income	-	181,879	-	181,879
Cash equivalents	360,242	-	-	360,242
Mutual funds	1,432,407	-	-	1,432,407
	\$ 2,336,452	\$ 181,879	\$ -	\$ 2,518,331

California ChangeLawyers and Subsidiary

Notes to Consolidated Financial Statements

Note 11 – 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 August 30, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

California ChangeLawyers and Subsidiary
Consolidating Statement of Financial Position
December 31, 2023

	<u>ChangeLawyers</u>	<u>Cal Bar Affinity, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 1,804,789	\$ 235,288	\$ -	\$ 2,040,077
Grants and accounts receivable	151,821	-	(4,725)	147,096
Pledges receivable	96,950	474,392	-	571,342
Prepaid expenses and deposits	14,479	74,007	(1)	88,485
Operating right-of-use asset	39,917	-	-	39,917
Investments	2,158,089	360,242	-	2,518,331
	<u>\$ 4,266,045</u>	<u>\$ 1,143,929</u>	<u>\$ (4,726)</u>	<u>\$ 5,405,248</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 421,933	\$ 84,979	\$ (4,725)	\$ 502,187
Accrued liabilities	67,049	26,978	-	94,027
Lease liability	41,482	-	-	41,482
	<u>530,464</u>	<u>111,957</u>	<u>(4,725)</u>	<u>637,696</u>
NET ASSETS				
Without donor restrictions	405,714	1,031,971	-	1,437,685
Without donor restrictions - board designated	2,273,580	-	-	2,273,580
With donor restrictions	1,056,287	-	-	1,056,287
Ordinary stock, 100 shares authorized and issued	-	1	(1)	-
	<u>3,735,581</u>	<u>1,031,972</u>	<u>(1)</u>	<u>4,767,552</u>
Total liabilities and net assets	<u>\$ 4,266,045</u>	<u>\$ 1,143,929</u>	<u>\$ (4,726)</u>	<u>\$ 5,405,248</u>

California ChangeLawyers and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	California ChangeLawyers		Total	Cal Bar Affinity, Inc.	Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions				
REVENUE AND SUPPORT						
Cal Bar Affinity	\$ 1,003,960	\$ -	\$ 1,003,960	\$ 2,174,634	\$ (1,003,960)	\$ 2,174,634
Contributions	620,661	673,937	1,294,598	-	-	1,294,598
State bar licensee donations	503,732	-	503,732	-	-	503,732
Special events income, net	(1,659)	-	(1,659)	-	-	(1,659)
Other income	23,049	-	23,049	-	-	23,049
Cy pres awards	87,881	-	87,881	-	-	87,881
Net assets released from restrictions	713,524	(713,524)	-	-	-	-
Total revenue and support	2,951,148	(39,587)	2,911,561	2,174,634	(1,003,960)	4,082,235
EXPENSES						
Program services	2,655,953	-	2,655,953	2,101,196	(1,003,960)	3,753,189
Management and general	429,205	-	429,205	-	-	429,205
Fundraising	319,875	-	319,875	-	-	319,875
Total expenses	3,405,033	-	3,405,033	2,101,196	(1,003,960)	4,502,269
NET OPERATING (LOSS) INCOME	(453,885)	(39,587)	(493,472)	73,438	-	(420,034)
INVESTMENT INCOME, net	220,122	-	220,122	11,242	-	231,364
CHANGE IN NET ASSETS	(233,763)	(39,587)	(273,350)	84,680	-	(188,670)
NET ASSETS, beginning of year	2,913,057	1,095,874	4,008,931	947,291	-	4,956,222
NET ASSETS, end of year	\$ 2,679,294	\$ 1,056,287	\$ 3,735,581	\$ 1,031,971	\$ -	\$ 4,767,552

