

**CALIFORNIA CHANGLAWYERS AND SUBSIDIARY**

---

**CONSOLIDATED FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020**

## CONTENTS

---

Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-15
Supplementary Information:	
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17

## INDEPENDENT AUDITORS' REPORT

---

To the Board of Directors  
California ChangeLawyers and Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of California ChangeLawyers (a nonprofit organization) and Subsidiary, which comprise the Consolidated Statement of Financial Position as of December 31, 2020, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California ChangeLawyers and Subsidiary as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

---

### Other Matters

#### *Report on Summarized Comparative Information*

We have previously audited the California ChangeLawyers and Subsidiary's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### *Report on Supplementary Information*

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

*Harrington Group*

Oakland, California  
June 11, 2021

# CALIFORNIA CHANGELAWYERS AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 976,946	\$ 915,378
Grants and accounts receivable	949,984	282,030
Pledges receivable (Note 4)	185,000	208,000
Prepaid expense and deposits	35,083	34,478
Investments (Note 5)	<u>2,108,775</u>	<u>1,897,654</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,255,788</u>	<u>\$ 3,337,540</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 32,161	\$ 42,793
Accrued liabilities (Note 6)	354,864	360,136
Paycheck protection program loan (Note 7)	<u>126,800</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>513,825</u>	<u>\$402,929</u>
<b>NET ASSETS</b>		
Without donor restrictions	981,443	475,501
Without donor restrictions - board designated	2,108,775	1,897,654
With donor restrictions (Note 9)	<u>651,745</u>	<u>561,456</u>
<b>TOTAL NET ASSETS</b>	<u>3,741,963</u>	<u>2,934,611</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,255,788</u>	<u>\$ 3,337,540</u>

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

## CALIFORNIA CHANGELAWYERS AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>				
Affinity program	\$ 1,552,618	\$ 250,000	\$ 1,802,618	\$ 1,245,927
Contributions	150,023	721,914	871,937	803,739
State bar licensee donations	280,295		280,295	318,558
Special events income, net of expenses of \$120	22,953		22,953	71,618
Other income	11,311		11,311	11,165
In-kind contributions (Note 10)	10,452		10,452	29,576
Cy pres awards	1,551		1,551	216,960
Net assets released from restrictions (Note 9)	881,625	(881,625)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,910,828</u>	<u>90,289</u>	<u>3,001,117</u>	<u>2,697,543</u>
<b>EXPENSES</b>				
Program services	2,041,650		2,041,650	1,786,581
Management and general	199,639		199,639	242,897
Fundraising	250,054		250,054	256,718
<b>TOTAL EXPENSES</b>	<u>2,491,343</u>	<u>-</u>	<u>2,491,343</u>	<u>2,286,196</u>
<b>CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME</b>	419,485	90,289	509,774	411,347
Investment income, net (Note 5)	297,578		297,578	289,141
<b>CHANGE IN NET ASSETS</b>	717,063	90,289	807,352	700,488
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,373,155</u>	<u>561,456</u>	<u>2,934,611</u>	<u>2,234,123</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,090,218</u>	<u>\$ 651,745</u>	<u>\$ 3,741,963</u>	<u>\$ 2,934,611</u>

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

**CALIFORNIA CHANGLAWYERS AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	Program Services					Total Program Services	Management and General	Fundraising	Total Expenses	
	Grants	Scholarships	Law Fellows	Leadership	Affinity / Insurance				2020	2019
Salaries	\$ 48,053	\$ 47,303	\$ 35,333	\$ 80,933	\$ 130,583	\$ 342,205	\$ 82,665	\$ 161,796	\$ 586,666	\$ 753,076
Payroll taxes	3,479	3,478	2,703	5,939	11,630	27,229	8,640	11,563	47,432	59,811
Employee benefits	4,578	4,578	5,214	8,256	11,524	34,150	8,920	21,790	64,860	45,598
Total personnel costs	56,110	55,359	43,250	95,128	153,737	403,584	100,225	195,149	698,958	858,485
Grants, scholarships and stipends	664,287	323,200				987,487			987,487	734,452
Income tax expense					421,972	421,972			421,972	276,276
Professional services		10,575	10,500	6,225	56,443	83,743	3,210	3,181	90,134	39,157
Occupancy		15,805	7,128	12,421	19,995	55,349	13,809	27,030	96,188	74,956
Accounting						-	44,538		44,538	50,857
Conference and meetings	1,160	2,500		21,000		24,660	4,779	902	30,341	62,966
Insurance					18,863	18,863	7,954		26,817	16,604
Information technology	244	4,276		9,209		18,181	3,229	8,068	29,478	38,082
Dues, license, and service fees	2,120	160			2,979	5,259	6,348	853	12,460	11,942
In-kind legal services						-	10,452		10,452	29,576
Printing and publication						-	784	8,746	9,530	20,263
Telephone	674	417	380	6,600		8,071	331	880	9,282	7,141
Miscellaneous	500	600			1,792	2,892	1,157	3,000	7,049	10,152
Advertising			623		4,790	5,413		869	6,282	9,172
Postage		679			1,399	2,078	216	740	3,034	5,433
Travel and meals	328	1,260	547		475	2,610	1,393	363	4,366	29,034
Supplies	116	139	1,233			1,488	1,214	273	2,975	11,648
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 725,539</b>	<b>\$ 414,970</b>	<b>\$ 63,661</b>	<b>\$ 150,583</b>	<b>\$ 686,897</b>	<b>\$ 2,041,650</b>	<b>\$ 199,639</b>	<b>\$ 250,054</b>	<b>\$ 2,491,343</b>	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 481,381	\$ 536,527	\$ 201,935	\$ 73,216	\$ 493,522	\$ 1,786,581	\$ 242,897	\$ 256,718		\$ 2,286,196

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

## CALIFORNIA CHANGELAWYERS AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	2020	2019
<b>CASH FLOWS (TO) FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 807,352	\$ 700,488
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Investment (income), net	(297,578)	(289,141)
(Increase) decrease in operating assets:		
Grants receivable	(667,954)	(35,358)
Pledges receivable	23,000	(44,900)
Prepaid expense and deposits	(605)	(14,357)
Increase (decrease) in operating liabilities:		
Accounts payable	(10,632)	14,790
Accrued liabilities	(5,272)	117,613
	<b>(151,689)</b>	<b>449,135</b>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	-	(500,000)
Sale of investments	86,457	583,768
	<b>86,457</b>	<b>83,768</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from paycheck protection program loan	126,800	-
	<b>126,800</b>	<b>-</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>61,568</b>	<b>532,903</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>915,378</b>	<b>382,475</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 976,946</b>	<b>\$ 915,378</b>

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



# CALIFORNIA CHANGETHELAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### 1. **Organization**

California ChangeLawyers, is a California 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.

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

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

#### **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 Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting which reflects revenue when earned and expenses as incurred.

#### **Net Assets**

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

**Without Donor Restrictions.** These net assets are available for use in general operations and not subject to donor (or certain grantor) restrictions. 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 CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

**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.

#### 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 and accounts receivable primarily consist of amounts due from grantors, corporate partners, the State Bar of California. 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.

#### 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 as gain or loss on investments. 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 investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. ChangeLawyers has not incurred losses related to these investments.

#### Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

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

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

continued

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

ChangeLawyers is required to measure certain investments and in-kind contributions at 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

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

#### **Revenue and Revenue Recognition**

ChangeLawyers recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barriers, and a right of return - are not recognized until the conditions on which they depend have been met.

#### **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 of donated services that create 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 (see Note 10).

#### **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.

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

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

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

#### Use of Estimates

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

#### Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ChangeLawyers' consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

### 3. Liquidity and Availability of Resources

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, or quasi-endowment, is maintained and as of December 31, 2020, the balance of the reserve of \$2,108,775, 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.

continued

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

As of December 31, 2020 and 2019, the following financial assets could be made available within one year of the consolidated statement of financial position date to meet general expenditures.

	<u>2020</u>	<u>2019</u>
Investments	\$2,108,775	\$1,897,654
Cash and cash equivalents	976,946	915,378
Grants receivable	949,984	282,030
Pledges receivable	<u>185,000</u>	<u>208,000</u>
Total financial assets at year-end	4,220,705	3,303,062
Less: cash and pledges with donor restrictions	<u>(651,745)</u>	<u>(561,456)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$3,568,960</u>	<u>\$2,741,606</u>

### 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, 2020 and 2019 of \$185,000 and \$208,000, respectively, are expected to be collected within one year.

### 5. Investments

Investments at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Equities	\$1,446,933	\$1,151,650
Fixed income	567,288	629,074
Cash	85,893	106,694
Alternatives	<u>8,661</u>	<u>10,236</u>
	<u>\$2,108,775</u>	<u>\$1,897,654</u>

Investment income, net for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Unrealized market gains, net of fees	\$260,741	\$150,213
Realized (loss) gain	(7,028)	76,207
Dividends	39,734	57,574
Interest	<u>4,131</u>	<u>5,147</u>
	<u>\$297,578</u>	<u>\$289,141</u>

continued

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### 6. Accrued Liabilities

Accrued liabilities at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued grants payable	\$330,000	\$350,000
Accrued vacation	<u>24,864</u>	<u>10,136</u>
	<u>\$354,864</u>	<u>\$360,136</u>

### 7. Paycheck Protection Program Loan

As a result of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law on March 27, 2020, and provided additional avenues of relief to small businesses and nonprofits through programs administered by the Small Business Administration ("SBA"). The CARES Act established a Paycheck Protection Program ("PPP"), whereby certain small businesses and nonprofits were eligible for a loan to fund payroll expenses, rent, and related costs. The loan may be forgiven partially or in total if the funds are used for payroll and other qualifying expenses.

On May 11, 2020, ChangeLawyers received a PPP loan of \$99,800. ChangeLawyers' subsidiary, Cal Bar Affinity, also received a PPP loan of \$27,000 on July 2, 2020. The purpose of the PPP loan was to support payroll and operations during the pandemic and as ChangeLawyers and Cal Bar Affinity transitioned their business activities under new COVID-19 guidelines. In order to obtain forgiveness under the terms of the PPP loan, ChangeLawyers and Cal Bar Affinity are required to submit an application for forgiveness within 10 months of the covered period of the loan (which is defined as up to 24 weeks from the initial receipt of the funds on May 11, 2020 and July 2, 2020, respectively).

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the SBA remits the recipient's forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient's forgiveness covered period.

### 8. 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:

<u>Year ending December 31,</u>	
2021	\$ 97,011
2022	99,922
2023	102,919
2024	<u>43,410</u>
	<u>\$343,262</u>

continued

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### 8. Commitments and Contingencies, continued

Rent expense for the years ended December 31, 2020 and 2019 was \$76,194 and \$54,302, respectively.

#### Fulfilment of Grant Conditions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. ChangeLawyers deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of ChangeLawyers to the provisions of the grants. ChangeLawyers' management is of the opinion that ChangeLawyers has complied with the terms of all grants.

#### Impact of COVID-19 Virus

Following the State of California "Safer-at-Home" orders, ChangeLawyers has continued to conduct business as usual, as an essential business, observing isolation protocols and offering remote work opportunities.

Any overall long-term, financial impact of the COVID-19 virus on ChangeLawyers cannot be foreseen at this time and is therefore not reflected in these consolidated financial statements.

### 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 are restricted for the following:

	<u>2020</u>	<u>2019</u>
Lemala fund	\$300,000	\$ -
IOLTA-formula grants	200,000	277,400
First year law school diversity scholarships(1L)	118,523	208,523
Final year law school diversity scholarships (3L)	30,190	72,390
Civics education	<u>3,032</u>	<u>3,143</u>
	<u>\$651,745</u>	<u>\$561,456</u>

For the years ended December 31, 2020 and 2019, net assets with donor restrictions released from purpose restrictions were \$881,625 and \$612,251, respectively.

### 10. In-kind Contributions

ChangeLawyers received donated legal services for the years ended December 31, 2020 and 2019 that were valued at \$10,452 and \$29,576, respectively.

continued

# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### 11. Partnership Activity

During the year ended December 31, 2020, ChangeLawyers received \$280,295 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 administers insurance programs whose contracts are held by the State Bar of California.

### 12. 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.

### 13. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Large blend	\$ 590,143	\$ -	\$ -	\$ 590,143
Foreign large growth	312,850			312,850
Diversified emerging markets	184,270			184,270
Large value	160,389			160,389
Large core	101,835			101,835
Large growth	94,599			94,599
Mid core	<u>2,847</u>	<u>          </u>	<u>          </u>	<u>2,847</u>
Total equity funds	<u>1,446,933</u>	<u>          </u>	<u>          </u>	<u>1,446,933</u>
Fixed income				
Short-term bond		259,056		259,056
Intermediate core-plus bond		220,677		220,677
Certificates of deposits	<u>87,555</u>	<u>          </u>	<u>          </u>	<u>87,555</u>
Total fixed income	<u>87,555</u>	<u>479,733</u>	<u>          </u>	<u>567,288</u>
Alternatives				
Large growth	6,734			6,734
Large value	<u>1,927</u>	<u>          </u>	<u>          </u>	<u>1,927</u>
Total alternatives	<u>8,661</u>	<u>          </u>	<u>          </u>	<u>8,661</u>
Fair value at December 31, 2020	<u>\$1,543,149</u>	<u>\$479,733</u>	<u>\$          </u>	<u>\$2,022,882</u>

The fair value of investment components has been measured on a recurring basis using quoted prices in active markets for identical assets (Level 1 inputs) and quoted prices in active or inactive markets for the same or similar assets (Level 2 inputs).

continued



# CALIFORNIA CHANGLAWYERS AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### 13. Fair Value Measurements, continued

The table below presents the transactions measured at fair value on a non-recurring basis during the year ended December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>				
In-kind contributions	\$ -	\$10,452	\$ -	<b>\$10,452</b>
Pledged contributions – new			<u>57,500</u>	<u><b>57,500</b></u>
Fair value at December 31, 2020	<u>\$ -</u>	<u>\$10,452</u>	<u>\$57,500</u>	<u><b>\$67,952</b></u>

The fair value of in-kind contributions has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions – new is measured on a non-recurring basis based on the value provided by the donor at the date of pledge (Level 3 inputs).

### 14. Subsequent Events

In February 2021, the SBA approved ChangeLawyers' request for full forgiveness of its outstanding PPP loan.

In May 2021, Cal Bar Affinity Inc, submitted the SBA application for forgiveness of its \$27,000 PPP loan. As of the date of these financial statements, the Company is awaiting a response from the SBA.

In May 2021, ChangeLawyers received a second PPP loan of \$99,800 from the SBA.

Management has evaluated subsequent events through June 11, 2021, the date which the consolidated financial statements were available for issue. No other events or transactions, except as noted above, have occurred during this period that appear to require recognition or disclosure in the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

---

**CALIFORNIA CHANGLAWYERS AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	<u>ChangeLawyers</u>	<u>Cal Bar Affinity, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 644,409	\$ 332,537	\$ -	\$ 976,946
Grants and accounts receivable	373,828	586,871	(10,715)	949,984
Pledges receivable (Note 4)	185,000			185,000
Prepaid expense and deposits	24,892	10,191		35,083
Investments (Note 5)	2,108,776		(1)	2,108,775
<b>TOTAL ASSETS</b>	<u>\$ 3,336,905</u>	<u>\$ 929,599</u>	<u>\$ (10,716)</u>	<u>\$ 4,255,788</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,629	\$ 32,247	\$ (10,715)	\$ 32,161
Accrued liabilities (Note 6)	352,177	2,687		354,864
Paycheck protection program loan (Note 7)	99,800	27,000		126,800
<b>TOTAL LIABILITIES</b>	<u>462,606</u>	<u>61,934</u>	<u>(10,715)</u>	<u>513,825</u>
<b>NET ASSETS</b>				
Without donor restrictions	113,779			113,779
Without donor restrictions - board designated	2,108,775			2,108,775
With donor restrictions	651,745			651,745
Ordinary stock, 100 shares authorized and issued		1	(1)	-
Retained surplus		867,664		867,664
<b>TOTAL NET ASSETS</b>	<u>2,874,299</u>	<u>867,665</u>	<u>(1)</u>	<u>3,741,963</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,336,905</u>	<u>\$ 929,599</u>	<u>\$ (10,716)</u>	<u>\$ 4,255,788</u>

See independent auditors' report.

**CALIFORNIA CHANGLAWYERS AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	California ChangeLawyers		Total	Cal Bar Affinity, Inc.	Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions				
<b>REVENUE AND SUPPORT</b>						
Affinity program	\$ 279,768	\$ 250,000	\$ 529,768	\$ 1,801,231	\$ (528,381)	\$ 1,802,618
Contributions	150,023	721,914	871,937			871,937
State bar licensee donations	280,295		280,295			280,295
Special events income, net of expenses of \$120	22,953		22,953			22,953
Other income	11,311		11,311			11,311
In-kind contributions	10,452		10,452			10,452
Cy pres awards	1,551		1,551			1,551
Net assets released from restrictions	881,625	(881,625)	-			-
	<u>1,637,978</u>	<u>90,289</u>	<u>1,728,267</u>	<u>1,801,231</u>	<u>(528,381)</u>	<u>3,001,117</u>
<b>EXPENSES</b>						
Program services	1,354,753		1,354,753	1,215,278	(528,381)	2,041,650
Management and general	199,639		199,639			199,639
Fundraising	250,054		250,054			250,054
	<u>1,804,446</u>	<u>-</u>	<u>1,804,446</u>	<u>1,215,278</u>	<u>(528,381)</u>	<u>2,491,343</u>
<b>CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME</b>	(166,468)	90,289	(76,179)	585,953	-	509,774
Investment income, net	<u>297,578</u>		<u>297,578</u>			<u>297,578</u>
<b>CHANGE IN NET ASSETS</b>	131,110	90,289	221,399	585,953	-	807,352
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,091,444</u>	<u>561,456</u>	<u>2,652,900</u>	<u>281,711</u>	<u>-</u>	<u>2,934,611</u>
<b>NET ASSETS, END OF YEAR</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>

See independent auditors' report.