

SMITH BUNDAY BERMAN BRITTON, P.S.

**EASTSIDE LEGAL ASSISTANCE PROGRAM**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 and 2018**

December 1, 2020

To the Board of Directors  
Eastside Legal Assistance Program

### Independent Auditor's Report

We have audited the accompanying financial statements of Eastside Legal Assistance Program (a non-profit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Eastside Legal Assistance Program as of December 31, 2019 and 2018 and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Smith Bunday Berman Britton, P.S.*

**EASTSIDE LEGAL ASSISTANCE PROGRAM  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<b>2019</b>	<b>2018</b>
Current assets:		
Cash and cash equivalents	\$ 195,807	\$ 193,192
Promises to give - current	17,938	21,292
Grants receivable	161,671	108,653
Prepaid expenses and other current assets	2,338	7,783
Total current assets	377,754	330,920
Promises to give, net	-	10,000
Property and equipment, net	8,596	-
Security deposit	3,887	3,887
Total noncurrent assets	12,483	13,887
Total Assets	\$ 390,237	\$ 344,807

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 15,298	\$ 7,218
Accrued expenses and other liabilities	66,827	38,763
Total current liabilities	82,125	45,981
Deferred rent	1,316	-
Total liabilities	83,441	45,981
Net assets:		
Without donor restrictions	277,714	175,882
With donor restrictions	29,082	122,944
Total net assets	306,796	298,826
Total Liabilities and Net Assets	\$ 390,237	\$ 344,807

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
Changes in net assets without donor restrictions:		
Revenues and support:		
Grants	\$ 638,850	\$ 514,814
Contributions	169,169	70,641
In-kind contributions	248,240	415,727
Special events, net of expenses \$38,471 and \$35,647, respectively	136,826	165,363
Other income	1,300	1,510
Total revenues and support without donor restrictions	1,194,386	1,168,055
Net assets released from restriction		
Satisfaction of program restrictions	257,780	163,500
Expiration of time restrictions	10,000	10,000
Satisfaction of equipment acquisitions	5,444	3,172
Total net assets released from restrictions	273,224	176,672
Expenses:		
Program services	1,070,865	1,127,626
Management and general	147,615	54,212
Fundraising	147,298	136,822
Total expenses	1,365,778	1,318,660
Increase in net assets without donor restrictions	101,832	26,067
Changes in net assets with donor restrictions		
Grants	179,362	235,000
Contributions	-	6,000
Net assets released from restriction	(273,224)	(176,672)
Increase (decrease) in net assets with donor restrictions	(93,862)	64,328
Increase in total net assets	7,970	90,395
Net assets, beginning of year	298,826	208,431
Net assets, end of year	\$ 306,796	\$ 298,826

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services				Management and General	Fundraising	Total
	Civil Legal Aid Programs	Clinic & Wills Projects	Community Education & Engagement	Total Program Services			
In-kind	\$ 15,897	\$ 231,153	\$ -	\$ 247,050	\$ -	\$ 1,190	\$ 248,240
Salaries	391,915	111,946	84,287	588,148	64,622	108,384	761,154
Payroll taxes	35,652	7,548	9,273	52,473	10,900	7,104	70,477
Employee benefits	32,594	10,763	9,464	52,821	7,561	6,861	67,243
Rent	33,169	6,296	8,421	47,886	8,765	6,526	63,177
Contract services	9,328	2,032	2,597	13,957	22,495	1,858	38,310
Telephone and internet	8,130	677	416	9,223	478	505	10,206
Staff training	1,378	405	336	2,119	226	185	2,530
Printing, copier, and reproduction	1,178	127	2,538	3,843	1,259	1,294	6,396
Library and subscriptions	8,299	741	1,036	10,076	2,750	1,506	14,332
Litigation expense	1,985	-	-	1,985	-	-	1,985
Postage and shipping	98	-	-	98	564	262	924
Office	4,471	818	1,308	6,597	2,662	962	10,221
License & permits	-	-	-	-	125	-	125
Travel, meals, and parking	5,758	1,421	3,489	10,668	2,039	2,294	15,001
Insurance	1,210	290	-	1,500	1,446	-	2,946
Dues and membership fees	5,152	710	285	6,147	4,251	3,580	13,978
Facilities and equipment	5,328	708	299	6,335	1,509	44	7,888
Miscellaneous	450	267	566	1,283	7,448	2,660	11,391
Equipment rental & maintenance	1,847	365	487	2,699	508	378	3,585
Meetings	4,662	620	675	5,957	5,859	1,705	13,521
Depreciation	-	-	-	-	2,148	-	2,148
	<u>\$ 568,501</u>	<u>\$ 376,887</u>	<u>\$ 125,477</u>	<u>\$ 1,070,865</u>	<u>\$ 147,615</u>	<u>\$ 147,298</u>	<u>\$ 1,365,778</u>

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				Management and General	Fundraising	Total
	Civil Legal Aid Programs	Clinic & Wills Projects	Community Education & Engagement	Total Program Services			
In-kind	\$ 172,880	\$ 240,672		\$ 413,552	\$ 2,000	\$ 175	\$ 415,727
Salaries	329,484	169,951		499,435	28,801	100,649	628,885
Payroll taxes	32,887	17,268		50,155	17	7,437	57,609
Employee benefits	31,093	16,341		47,434	1	7,032	54,467
Rent	37,003	12,183		49,186	4,005	4,003	57,194
Contract services	2,065	540		2,605	11,346	2,732	16,683
Telephone and internet	4,815	1,584		6,399	522	521	7,442
Staff training	2,239	900		3,139	930	1,340	5,409
Printing, copier, and reproduction	3,901	1,284		5,185	423	422	6,030
Library and subscriptions	13,157	2,506		15,663	-	-	15,663
Postage and shipping	2,256	744		3,000	243	244	3,487
Office	4,848	2,151		6,999	1,641	1,922	10,562
Travel, meals, and parking	7,078	2,041		9,119	708	968	10,795
Insurance	1,106	369		1,475	1,257	-	2,732
Dues and membership fees	5,129	1,671		6,800	-	4,348	11,148
Marketing and publicity	-	-		-	499	3,859	4,358
Facilities and equipment	4,612	338		4,950	24	695	5,669
Miscellaneous	40	120		160	39	-	199
Employee appreciation	835	276		1,111	89	90	1,290
Meetings	380	879		1,259	1,667	-	2,926
Bad debts	-	-		-	-	385	385
	<u>\$ 655,808</u>	<u>\$ 471,818</u>	<u>\$ -</u>	<u>\$ 1,127,626</u>	<u>\$ 54,212</u>	<u>\$ 136,822</u>	<u>\$ 1,318,660</u>

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 7,970	\$ 90,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,148	
Bad debt expense	-	385
(Increase) decrease:		
Contributions receivable	13,354	19,877
Grants receivable	(53,018)	(21,038)
Prepaid expenses and other current assets	5,445	(5,833)
(Decrease) increase:		
Accounts payable	8,080	(2,025)
Accrued expenses and other liabilities	28,064	2,309
Deferred rent	1,316	(4,322)
	<u>13,359</u>	<u>79,748</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	<u>(10,744)</u>	<u>-</u>
Net cash used in investing activities	(10,744)	-
Net increase in cash and cash equivalents	2,615	79,748
Cash and cash equivalents at beginning of year	193,192	113,444
Cash and cash equivalents at end of year	<u>\$ 195,807</u>	<u>\$ 193,192</u>

See accompanying notes to financial statements.

## **EASTSIDE LEGAL ASSISTANCE PROGRAM**

### **Notes to Financial Statements**

#### **NOTE 1 – ACTIVITIES OF THE ORGANIZATION**

Eastside Legal Assistance Program (ELAP) provides access to justice through free civil legal aid to low-income residents of East, Northeast and Southeast King County (Washington) and domestic violence legal aid throughout King County. ELAP does not advise on criminal matters. The following outlines the civil legal aid programs provided by the organization.

**LEGAL ADVICE CLINICS** - ELAP operates free community-based advice clinics for low-income residents of East, Northeast and Southeast King County. Individuals receive one-on-one appointments with attorneys to address civil legal issues. General clinics cover civil non-family law issues and specialty clinics cover family law, domestic violence issues, and immigration.

**WILLS PROJECT** - Volunteer attorneys prepare wills, powers of attorney, and advanced healthcare directives for clients. ELAP provides witnesses and notary public services at the time of signing.

**DOMESTIC VIOLENCE LEGAL PROGRAM** - ELAP's full-time staff attorneys provide brief services to domestic violence survivors and their children. This assistance may include advice, drafting pleadings, drafting documents for discovery, coaching for court appearances, development of legal strategies, assistance in obtaining exhibits and supportive documents, providing appropriate referrals, and representation in court.

**MEDICAL-LEGAL PARTNERSHIP** - ELAP has created a Medical-Legal Partnership (MLP) to join with local medical clinics to address patients' legal needs. ELAP works closely with clinic physicians, nurses, administrators, support staff and social workers to address social issues that are barriers to a patient getting better. By partnering and using legal expertise and services, the healthcare system can disrupt the cycle of returning people to the unhealthy conditions that would otherwise bring them right back to the clinic or hospital. These cases are accepted only by referral from a medical provider in one of our partner clinics.

**HOUSING STABILITY** - ELAP provides limited representation to low-income eastside residents on a variety of legal matters threatening their housing stability. ELAP's housing stability attorneys provide free legal services to address barriers to maintaining or getting into permanent housing.

**COMMUNITY EDUCATION** - ELAP provides public workshops at community gathering places where volunteer attorneys discuss many topics such as veterans' benefits, wills and probate, and consumer fraud. No appointment is required to attend. These presentations are made by ELAP staff attorneys and volunteer attorneys.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Adoption of accounting pronouncements –**

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made.



## **NOTE 2 – continued**

The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applied to agreements not completed or entered into (revenue or expense that has not been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

On January 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606) and other related ASUs. These ASUs replaced the existing revenue recognition guidance in U.S. GAAP and require entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2019, (the practical expedient elected). Results for reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 605. Topic 606 applies the Organization's grants that are cost reimbursement awards; however, application of the new standard did not result in changes to the revenue recognition methods used by the Organization for these contracts.

### **Basis of Presentation –**

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, Not-for-Profit Entities. Under the provisions of this statement, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ELAP and changes therein are classified and reported as follows:

*Without donor restrictions:* The resources are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

*With donor restrictions:* Those resources subject to donor-imposed restrictions that will be satisfied by action of ELAP or by the passage of time.

### **Cash and Cash Equivalents –**

ELAP considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

ELAP maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

## **NOTE 2 – continued**

### **Promises to Give –**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, using present value techniques. In 2017, ELAP received \$30,000 time-restricted and unconditional pledges to be paid over 3 years. The pledges were discounted using the Wall Street Journal Prime rate of 4.5% at December 31, 2017. Present value of the pledges is \$10,000 and \$20,000 at December 31, 2019 and 2018, respectively.

### **Property, Equipment and Depreciation –**

Property and equipment are stated at cost if purchased and at fair market value if received from a donor. Expenditures for maintenance and repairs are expensed as incurred. Costs of renewals and betterments of a nature considered to materially extend the useful lives of assets in excess of \$1,000 are capitalized. Depreciation of property and equipment is provided on a straight-line method over estimated useful lives of five to seven years. Depreciation expense was \$2,148 for the year ended December 31, 2019. There is no depreciation expense for the year ended December 31, 2018.

### **Revenue Recognition –**

Contributions are recognized in the period received, including unconditional promises to give when made, at their fair value. Conditional promises to give are recognized when the conditions on which the promises depend are substantially met. An allowance for uncollectible promises to give is recorded based on management's periodic evaluation of ELAP's past experience, evaluation of the donor's ability to pay and other current economic conditions. There is no allowance at December 31, 2019 and 2018.

Grants are generally cost reimbursement awards. Revenues are recognized when expenses have been incurred that are related to the grant and the terms of the grant have been fulfilled.

### **In-kind Contributions –**

Contributions of donated services that create 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 their fair values in the period received. During the years ended December 31, 2019 and 2018, ELAP recognized \$247,050 and \$415,727, respectively, of pro bono legal services, which represent approximately 1,000 and 1,300 hours, respectively. In addition to this, throughout the year general and fund-raising services are provided by volunteers, which are not recognized as contributions in the financial statements based on the above criteria.

### **Income Taxes –**

ELAP has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal income taxes, under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income tax, if any.

## **NOTE 2 – continued**

Accounting principles general accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if ELAP has taken uncertain positions that more likely than not would not be sustained upon examination by the U.S. government. ELAP has analyzed the tax positions taken and has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. ELAP is open for routine income tax examinations for the current year and prior two years based on the applicable laws and regulations.

### **Concentrations –**

Grant revenue representing approximately 20% of ELAP's total revenues and support was earned from two entities during the year ended December 31, 2019. Approximately 35% of grants receivable are due from these two entities and 35% from two more entities at December 31, 2019. Grant revenue representing approximately 28% of ELAP's total revenues and support was earned from three entities during the year ended December 31, 2018. Approximately 70% of grants receivable are due from these three entities and 30% from two more entities at December 31, 2018.

Promises to give representing approximately 65% of total promises to give are due from two individuals at December 31, 2019. Promises to give representing approximately 94% of total promises to give are due from three individuals at December 31, 2018.

### **Functional Allocation of Expenses –**

The costs of providing ELAP's programs and other activities have been summarized on a functional basis in the statement of activities based on management's estimates. Accordingly, certain management and general costs have been allocated among the programs and supporting services benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ELAP.

### **Use of Estimates –**

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

### **Reclassification –**

Certain amounts in the 2018 presentation have been reclassified to conform to the 2019 presentation.

### NOTE 3 – LEASE AND OTHER COMMITMENTS

Effective May 1, 2014, ELAP entered into a non-cancelable operating lease agreement for office space with an expiration date of September 30, 2019. In April 2019, the lease was extended to December 31, 2022. The lease requires a \$3,887 security deposit. Future annual minimum payments under this non-cancellable operating lease obligation are as follows:

2020	\$42,499
2020	48,412
2022	49,826
	<u>\$140,737</u>

Total rent expense was \$63,177 and \$57,609 for the years ended December 31, 2019 and 2018, respectively.

### NOTE 4 – RETIREMENT PLAN

ELAP sponsors a defined contribution 401(k) plan for all employees meeting eligibility requirements. Generally, employees may make 401(k) contributions based on a percentage of their yearly compensation, subject to statutory limits. Employer matching contributions are at the discretion of the Board of Directors. Matching contributions for the years ended December 31, 2019 and 2018 were \$9,160 and \$7,665, respectively.

### NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Salary of development director	\$-	\$17,500
Development of a strategic plan	8,000	-
Purchase of computer and phone equipment	1,082	5,000
Graphic design of website	-	444
	<u>9,082</u>	<u>\$ 22,944</u>
Subject to expenditure for specified purpose and passage of time:		
Domestic violence and for periods after December 31, 2019 and 2018	<u>20,000</u>	<u>100,000</u>
	<u>\$29,082</u>	<u>\$122,944</u>

**NOTE 6 – RELEASE FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time.

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Domestic violence expenses	\$167,391	\$46,000
Salary of development director	45,500	82,500
Salary of attorney for medical/legal program	30,000	-
Strategic plan	2,000	-
Workshops	-	15,000
Purchase of computer and telephone equipment	7,889	1,972
Graphic design of website	444	1,200
	<u>146,672</u>	<u>146,672</u>
Time restrictions expired:		
Passage of specified time	-	10,000
Purpose restrictions accomplished and time restrictions expired:		
Domestic violence expenses and passage of specified time	<u>20,000</u>	<u>20,000</u>
	<u>\$273,224</u>	<u>\$176,672</u>

**NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES:**

The following reflects ELAP’s financial assets as of December 31, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$375,416	\$333,137
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>29,082</u>	<u>122,944</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$346,334</u>	<u>\$210,193</u>

ELAP’s support includes restricted grants and contributions. Because a grantor’s and donor’s restriction requires resources to be used in a particular manner or in a future period, ELAP must maintain sufficient resources to meet those responsibilities to its grantors and donors. As part of ELAP’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## **NOTE 8 – SUBSEQUENT EVENTS**

Management of ELAP has evaluated subsequent events through December 1, 2020, the date which the financial statements were available to be issued.

On March 16, 2020 the governor of Washington state announced a ban on gatherings and closure of certain business in response to the coronavirus pandemic. Though the ultimate impact of the pandemic cannot be determined at this time, Management does not expect the impact to be significant. Management has determined that there is no material uncertainty on the entity's ability to continue to deliver on commitments or services.

On April 6, 2020 the Organization received a Payroll Protection Program loan through a bank backed by the United States Small Business Administration in the amount of \$172,100. The note bears interest at a rate of 1.0% with equal payments in the amount of \$9,685 beginning November 6, 2020, with the note due April 6, 2022. The program provides for forgiveness of the note and any accrued interest if the Organization meets certain requirements. Management is assessing eligibility for potential loan forgiveness.

In 2019 The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of four victim assistance formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the State of Washington Department of Commerce (WA DOC) for awards during the fiscal years 2015-2018.

As a subrecipient of these grants ELAP's records were examined by DOJ to determine whether the payments received were accurate and or allowable. As a result of the audit DOJ questioned \$37,153 in submitted and reimbursed costs.

At this time Management and WA DOC are still in negotiations with DOJ on the settlement of this issue. Management does not have a reasonable estimate of the amount of the questioned costs that might have to be remedied.