



Report of Independent Auditors  
and Consolidated Financial Statements

**The Bar Association of San Francisco and Affiliate**

December 31, 2023 and 2022

# Table of Contents

---

|  | <b>Page</b> |
|--|-------------|
| <b>Report of Independent Auditors</b>          | 1           |
| <b>Consolidated Financial Statements</b>       |             |
| Consolidated Statements of Financial Position  | 4           |
| Consolidated Statements of Activities          | 5           |
| Consolidated Statements of Functional Expenses | 6           |
| Consolidated Statements of Cash Flows          | 7           |
| Notes to Consolidated Financial Statements     | 9           |

## **Report of Independent Auditors**

The Board of Directors  
The Bar Association of San Francisco and Affiliate

### **Report on the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of The Bar Association of San Francisco and Affiliate (collectively the Bar Association), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Bar Association of San Francisco and Affiliate as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of the Bar Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated 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 consolidated 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 the Bar Association's 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 Consolidated 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 consolidated 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 the Bar Association's 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 the Bar Association's 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.



San Francisco, California

April 26, 2024

## **Consolidated Financial Statements**

---

**The Bar Association of San Francisco and Affiliate**  
**Consolidated Statements of Financial Position**  
**December 31, 2023 and 2022**

|                                   | 2023          | 2022          |
|-----------------------------------|---------------|---------------|
| <b>ASSETS</b>                     |               |               |
| Cash and cash equivalents         | \$ 1,718,754  | \$ 1,598,714  |
| Restricted cash                   | 64,320        | 61,558        |
| Accounts receivable, net          | 1,379,091     | 1,105,190     |
| Pledges receivables, net          | 354,792       | 235,138       |
| Grants receivables                | 1,859,043     | 1,191,521     |
| Prepaid expenses                  | 451,787       | 398,607       |
| Investments                       | 10,733,393    | 9,005,236     |
| Operating lease, right of use     | 295,956       | 1,012,508     |
| Fixed assets, net                 | 2,740,078     | 2,894,160     |
| Total assets                      | \$ 19,597,214 | \$ 17,502,632 |
| <b>LIABILITIES AND NET ASSETS</b> |               |               |
| <b>LIABILITIES</b>                |               |               |
| Lines of credit                   | \$ 974,484    | \$ 1,596,380  |
| Note payable                      | 985,989       | 1,046,773     |
| Accounts payable                  | 299,750       | 292,839       |
| Accrued liabilities               | 1,163,034     | 1,186,836     |
| Funds held in trust               | 64,320        | 61,558        |
| Operating lease                   | 306,463       | 1,036,015     |
| Deferred revenue                  | 1,747,260     | 954,584       |
| Total liabilities                 | 5,541,300     | 6,174,985     |
| <b>NET ASSETS</b>                 |               |               |
| Without donor restrictions        |               |               |
| Undesignated                      | 6,487,097     | 5,369,362     |
| Designated                        | 5,356,297     | 4,556,166     |
| Total without donor restrictions  | 11,843,394    | 9,925,528     |
| With donor restrictions           |               |               |
| Program services                  | 975,910       | 1,206,998     |
| Endowment                         | 1,236,610     | 195,121       |
| Total with donor restrictions     | 2,212,520     | 1,402,119     |
| Total net assets                  | 14,055,914    | 11,327,647    |
| Total liabilities and net assets  | \$ 19,597,214 | \$ 17,502,632 |

See accompanying notes.

**The Bar Association of San Francisco and Affiliate**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2023 and 2022**

|   | 2023                          |                            |                      | 2022                          |                            |                      |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|   | Without donor<br>restrictions | With donor<br>restrictions | Total                | Without donor<br>restrictions | With donor<br>restrictions | Total                |
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>     |                               |                            |                      |                               |                            |                      |
| Membership dues                               |                               |                            |                      |                               |                            |                      |
| General bar                                   | \$ 1,558,681                  | \$ -                       | \$ 1,558,681         | \$ 1,693,881                  | \$ -                       | \$ 1,693,881         |
| Sections                                      | 140,707                       | -                          | 140,707              | 151,420                       | -                          | 151,420              |
| Lawyer referral services                      | 40,047                        | -                          | 40,047               | 43,525                        | -                          | 43,525               |
| Subtotal membership dues                      | 1,739,435                     | -                          | 1,739,435            | 1,888,826                     | -                          | 1,888,826            |
| Referral and other fees                       | 4,773,541                     | -                          | 4,773,541            | 4,029,951                     | -                          | 4,029,951            |
| Contracts and government grants               | 5,149,128                     | -                          | 5,149,128            | 5,152,936                     | -                          | 5,152,936            |
| Charitable contributions and grants           | 1,892,259                     | 1,268,361                  | 3,160,620            | 572,305                       | 772,797                    | 1,345,102            |
| Continuing education, events, and conferences | 847,618                       | -                          | 847,618              | 556,360                       | -                          | 556,360              |
| Advertising                                   | 117,445                       | -                          | 117,445              | 161,276                       | -                          | 161,276              |
| Cooperative Restraining Order Clinic          | 1,192,861                     | -                          | 1,192,861            | 480,013                       | -                          | 480,013              |
| Special events                                | 450,700                       | -                          | 450,700              | 422,665                       | -                          | 422,665              |
| Investment income (losses), net               | 957,443                       | 41,489                     | 998,932              | (1,521,775)                   | (16,664)                   | (1,538,439)          |
| Gain on debt extinguishment                   | -                             | -                          | -                    | 852,807                       | -                          | 852,807              |
| Royalties and other income                    | 188,365                       | -                          | 188,365              | 237,498                       | -                          | 237,498              |
| Net assets released from restriction          | 499,449                       | (499,449)                  | -                    | 580,969                       | (580,969)                  | -                    |
| Total revenues, gains, and other support      | 17,808,244                    | 810,401                    | 18,618,645           | 13,413,831                    | 175,164                    | 13,588,995           |
| <b>EXPENSES</b>                               |                               |                            |                      |                               |                            |                      |
| Program services                              |                               |                            |                      |                               |                            |                      |
| JDC program services                          | 6,812,619                     | -                          | 6,812,619            | 5,966,980                     | -                          | 5,966,980            |
| BASF program services                         | 5,243,278                     | -                          | 5,243,278            | 4,600,298                     | -                          | 4,600,298            |
| Management and general                        | 3,345,084                     | -                          | 3,345,084            | 3,180,773                     | -                          | 3,180,773            |
| Fundraising                                   | 489,397                       | -                          | 489,397              | 535,067                       | -                          | 535,067              |
| Total expenses                                | 15,890,378                    | -                          | 15,890,378           | 14,283,118                    | -                          | 14,283,118           |
| CHANGE IN NET ASSETS                          | 1,917,866                     | 810,401                    | 2,728,267            | (869,287)                     | 175,164                    | (694,123)            |
| NET ASSETS, at beginning of year              | 9,925,528                     | 1,402,119                  | 11,327,647           | 10,794,815                    | 1,226,955                  | 12,021,770           |
| NET ASSETS, at end of year                    | <u>\$ 11,843,394</u>          | <u>\$ 2,212,520</u>        | <u>\$ 14,055,914</u> | <u>\$ 9,925,528</u>           | <u>\$ 1,402,119</u>        | <u>\$ 11,327,647</u> |

See accompanying notes.

**The Bar Association of San Francisco and Affiliate  
Consolidated Statements of Functional Expenses  
Years Ended December 31, 2023 and 2022**

|                               | 2023                          |                        |                                      |  |                                     |                                    |                                  |                               |                                 |                              |                                  |                                   |                                    |                     |                                 |                   |                     |                      |       |  |
|-------------------------------|-------------------------------|------------------------|--------------------------------------|--|-------------------------------------|------------------------------------|----------------------------------|-------------------------------|---------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------------|---------------------|---------------------------------|-------------------|---------------------|----------------------|-------|--|
|                               | Program Services              |                        |                                      |  |                                     |                                    |                                  |                               |                                 |                              |                                  | Supporting Services               |                                    |                     |                                 |                   |                     |                      |       |  |
|                               | JDC Program Services          |                        |                                      |  |                                     | BASF Program Services              |                                  |                               |                                 |                              |                                  | Total                             |                                    |                     | JDC                             |                   |                     |                      | Total |  |
|                               | PBLS/HAP<br>Legal<br>Services | Immigration<br>Program | Diversity<br>Educational<br>Programs | Cooperative<br>Restraining<br>Order Clinic | JDC Program<br>Services<br>Subtotal | Alternate<br>Dispute<br>Resolution | Continuing<br>Legal<br>Education | Lawyer<br>Referral<br>Service | Program<br>Services<br>Subtotal | Total<br>Program<br>Services | JDC<br>Management<br>and General | BASF<br>Management<br>and General | Total<br>Management<br>and General | JDC<br>Fundraising  | Total<br>Supporting<br>Services | Total             |                     |                      |       |  |
| Personnel                     | \$ 3,644,817                  | \$ 680,273             | \$ 55,850                            | \$ 714,958                                 | \$ 5,095,898                        | \$ 183,947                         | \$ -                             | \$ 865,237                    | \$ 512,886                      | \$ 2,090,593                 | \$ 3,652,663                     | \$ 8,748,561                      | \$ 703,434                         | \$ 1,951,016        | \$ 2,654,450                    | \$ 274,385        | \$ 2,928,835        | \$ 11,677,396        |       |  |
| Subcontractor                 | 354,478                       | -                      | -                                    | 133,147                                    | 487,625                             | -                                  | -                                | 553,388                       | 30,313                          | 740                          | 584,441                          | 1,072,066                         | -                                  | -                   | -                               | 3,520             | 3,520               | 1,075,586            |       |  |
| Rent and occupancy            | 253,375                       | 61,654                 | 17,616                               | 51,304                                     | 383,949                             | -                                  | -                                | 88,066                        | 44,041                          | 221,788                      | 353,895                          | 737,844                           | 118,937                            | 120,053             | 238,990                         | 26,424            | 265,414             | 1,003,258            |       |  |
| Telecommunications            | 45,383                        | 5,968                  | 416                                  | 21,003                                     | 72,770                              | 833                                | -                                | 8,578                         | 3,580                           | 14,392                       | 27,383                           | 100,153                           | 356                                | 14,690              | 15,046                          | 1,369             | 16,415              | 116,568              |       |  |
| Insurance                     | 45,657                        | 7,428                  | 624                                  | 7,428                                      | 61,137                              | -                                  | -                                | 5,580                         | -                               | 17,448                       | 23,028                           | 84,165                            | -                                  | 21,447              | 21,447                          | 2,472             | 23,919              | 108,084              |       |  |
| Fees, dues & subscriptions    | 41,048                        | 5,907                  | -                                    | 16,888                                     | 63,843                              | 305                                | 612                              | 6,450                         | 199                             | 130,076                      | 137,642                          | 201,485                           | -                                  | 27,965              | 27,965                          | 70                | 28,035              | 229,520              |       |  |
| Supplies                      | 26,800                        | 11,505                 | 177                                  | 8,288                                      | 46,770                              | 335                                | -                                | 1,909                         | 6,347                           | 8,008                        | 16,599                           | 63,369                            | -                                  | 14,664              | 14,664                          | 1,701             | 16,365              | 79,734               |       |  |
| Technology                    | 52,906                        | 12,540                 | -                                    | 34,805                                     | 100,251                             | 7,847                              | 260                              | 3,357                         | 7,421                           | 17,006                       | 35,891                           | 136,142                           | -                                  | 71,657              | 71,657                          | 11,507            | 83,164              | 219,306              |       |  |
| Training                      | 3,215                         | 200                    | -                                    | 8,481                                      | 11,896                              | -                                  | -                                | 10,764                        | -                               | -                            | 10,764                           | 22,660                            | -                                  | 566                 | 566                             | -                 | 566                 | 23,226               |       |  |
| Grants administration         | 45,600                        | 4,159                  | 25                                   | -  | 49,784                              | -                                  | -                                | 4,448                         | -                               | -                            | 4,448                            | 54,232                            | 1,217                              | -                   | 1,217                           | 32,340            | 33,557              | 87,789               |       |  |
| Events                        | 7,245                         | 4,051                  | 1,993                                | 18,094                                     | 31,383                              | 38,005                             | 11,800                           | 26,093                        | 248,960                         | -                            | 324,858                          | 356,241                           | -                                  | 10,844              | 10,844                          | 133,432           | 144,276             | 500,517              |       |  |
| Scholarships and stipends     | 2,500                         | -                      | 108,500                              | -  | 111,000                             | -                                  | -                                | -                             | -                               | -                            | -                                | 111,000                           | -                                  | -                   | -                               | -                 | -                   | 111,000              |       |  |
| Administrative                | 62,723                        | 36,130                 | 991                                  | 90,478                                     | 190,322                             | -                                  | 13,717                           | 5,557                         | 1,847                           | 11,388                       | 32,509                           | 222,831                           | 60,445                             | -                   | 60,445                          | 1,441             | 61,886              | 284,717              |       |  |
| Conference and travel         | 7,987                         | 13,363                 | 5,872                                | 10,522                                     | 37,744                              | 180                                | -                                | 23,211                        | 6,778                           | 8,988                        | 39,157                           | 76,901                            | -                                  | 6,316               | 6,316                           | 736               | 7,052               | 83,953               |       |  |
| Depreciation and amortization | 66,088                        | -                      | -                                    | 2,159                                      | 68,247                              | -                                  | -                                | -                             | -                               | -                            | -                                | 68,247                            | -                                  | 96,522              | 96,522                          | -                 | 96,522              | 164,769              |       |  |
| Interest                      | -                             | -                      | -                                    | -  | -                                   | -                                  | -                                | -                             | -                               | -                            | -                                | -                                 | 41,292                             | 83,663              | 124,955                         | -                 | 124,955             | 124,955              |       |  |
| <b>Total expenses</b>         | <b>\$ 4,659,822</b>           | <b>\$ 843,178</b>      | <b>\$ 192,064</b>                    | <b>\$ 1,117,555</b>                        | <b>\$ 6,812,619</b>                 | <b>\$ 231,452</b>                  | <b>\$ 26,389</b>                 | <b>\$ 1,602,638</b>           | <b>\$ 862,372</b>               | <b>\$ 2,520,427</b>          | <b>\$ 5,243,278</b>              | <b>\$ 12,055,897</b>              | <b>\$ 925,681</b>                  | <b>\$ 2,419,403</b> | <b>\$ 3,345,084</b>             | <b>\$ 489,397</b> | <b>\$ 3,834,481</b> | <b>\$ 15,890,378</b> |       |  |

  

|                               | 2022                          |                        |                                      |  |                                     |                                    |                                  |                               |                                 |                              |                                  |                                   |                                    |                     |                                 |                   |                     |                      |       |  |
|-------------------------------|-------------------------------|------------------------|--------------------------------------|--|-------------------------------------|------------------------------------|----------------------------------|-------------------------------|---------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------------|---------------------|---------------------------------|-------------------|---------------------|----------------------|-------|--|
|                               | Program Services              |                        |                                      |  |                                     |                                    |                                  |                               |                                 |                              |                                  | Supporting Services               |                                    |                     |                                 |                   |                     |                      |       |  |
|                               | JDC Program Services          |                        |                                      |  |                                     | BASF Program Services              |                                  |                               |                                 |                              |                                  | Total                             |                                    |                     | JDC                             |                   |                     |                      | Total |  |
|                               | Pro Bono<br>Legal<br>Services | Immigration<br>Program | Diversity<br>Educational<br>Programs | Cooperative<br>Restraining<br>Order Clinic | JDC Program<br>Services<br>Subtotal | Alternate<br>Dispute<br>Resolution | Continuing<br>Legal<br>Education | Lawyer<br>Referral<br>Service | Program<br>Services<br>Subtotal | Total<br>Program<br>Services | JDC<br>Management<br>and General | BASF<br>Management<br>and General | Total<br>Management<br>and General | JDC<br>Fundraising  | Total<br>Supporting<br>Services | Total             |                     |                      |       |  |
| Personnel                     | \$ 3,367,663                  | \$ 615,237             | \$ 71,968                            | \$ 511,513                                 | \$ 4,566,381                        | \$ 203,037                         | \$ -                             | \$ 998,159                    | \$ 440,997                      | \$ 1,698,785                 | \$ 3,340,978                     | \$ 7,907,359                      | \$ 991,270                         | \$ 1,656,489        | \$ 2,647,759                    | \$ 251,682        | \$ 2,899,441        | \$ 10,806,800        |       |  |
| Subcontractor                 | 277,127                       | -                      | -                                    | 121  | 277,248                             | -                                  | -                                | 478,122                       | 27,408                          | -                            | 505,530                          | 782,778                           | -                                  | -                   | -                               | 6,613             | 6,613               | 789,391              |       |  |
| Rent and occupancy            | 201,703                       | 73,415                 | 2,479                                | 48,123                                     | 325,720                             | -                                  | -                                | 21,476                        | 37,875                          | 209,757                      | 269,108                          | 594,828                           | 148,691                            | 202,169             | 350,860                         | 41,951            | 392,811             | 987,639              |       |  |
| Other operating               | 165,347                       | 39,148                 | 1,193                                | 60,188                                     | 265,876                             | 4,903                              | 857                              | 42,313                        | 16,603                          | 149,825                      | 214,501                          | 480,377                           | 275                                | 160,609             | 160,884                         | 113,132           | 274,016             | 754,393              |       |  |
| Events                        | 10,867                        | 3,622                  | -                                    | -  | 14,489                              | 92,118                             | 7,200                            | 14,640                        | 95,899                          | -                            | 209,857                          | 224,346                           | -                                  | 13,634              | 13,634                          | 115,535           | 129,169             | 353,515              |       |  |
| Scholarships and stipends     | 2,500                         | -                      | 107,500                              | -  | 110,000                             | -                                  | -                                | -                             | -                               | -                            | -                                | 110,000                           | -                                  | -                   | -                               | -                 | -                   | 110,000              |       |  |
| Administrative                | 194,406                       | 42,907                 | 10,876                               | 57,420                                     | 305,609                             | -                                  | 21,669                           | 67                            | 1,164                           | 23,586                       | 46,486                           | 352,095                           | (150,935)                          | 28,827              | (122,108)                       | 5,827             | (116,281)           | 235,814              |       |  |
| Conference and travel         | 3,596                         | 17,179                 | 4,384                                | 5,126                                      | 30,285                              | 238                                | -                                | 9,233                         | 1,594                           | 2,773                        | 13,838                           | 44,123                            | -                                  | 6,122               | 6,122                           | 327               | 6,449               | 50,572               |       |  |
| Depreciation and amortization | 69,006                        | -                      | -                                    | 2,366                                      | 71,372                              | -                                  | -                                | -                             | -                               | -                            | -                                | 71,372                            | -                                  | 76,213              | 76,213                          | -                 | 76,213              | 147,585              |       |  |
| Interest                      | -                             | -                      | -                                    | -  | -                                   | -                                  | -                                | -                             | -                               | -                            | -                                | -                                 | 47,409                             | -                   | 47,409                          | -                 | 47,409              | 47,409               |       |  |
| <b>Total expenses</b>         | <b>\$ 4,292,215</b>           | <b>\$ 791,508</b>      | <b>\$ 198,400</b>                    | <b>\$ 684,857</b>                          | <b>\$ 5,966,980</b>                 | <b>\$ 300,296</b>                  | <b>\$ 29,726</b>                 | <b>\$ 1,564,010</b>           | <b>\$ 621,540</b>               | <b>\$ 2,084,726</b>          | <b>\$ 4,600,298</b>              | <b>\$ 10,567,278</b>              | <b>\$ 1,036,710</b>                | <b>\$ 2,144,063</b> | <b>\$ 3,180,773</b>             | <b>\$ 535,067</b> | <b>\$ 3,715,840</b> | <b>\$ 14,283,118</b> |       |  |

See accompanying notes.



**The Bar Association of San Francisco and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

|  | 2023         | 2022         |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Change in net assets   | \$ 2,728,267 | \$ (694,123) |
| Adjustment to reconcile change in net assets<br>to net cash provided by operating activities |              |              |
| Depreciation and amortization  | 164,769      | 147,585      |
| Investment (gains) losses , net  | (1,337,136)  | 1,193,620    |
| Dividends and interest income reinvested   | 338,204      | 344,819      |
| Change in allowance for doubtful accounts  | (5,900)      | -            |
| Amortization of operating lease asset  | 716,552      | 626,560      |
| Gain on debt extinguishment  | -            | (852,807)    |
| Change in operating assets and liabilities   |              |              |
| Accounts receivables   | (268,001)    | (662,858)    |
| Pledges receivables, net   | (119,654)    | 94,158       |
| Grants receivables, net  | (667,522)    | 455,181      |
| Prepaid expenses   | (53,180)     | 12,492       |
| Accounts payable and accrued liabilities   | (16,891)     | 119,779      |
| Funds held in trust  | 2,762        | 1,693        |
| Operating lease liability  | (729,552)    | (618,692)    |
| Deferred revenue   | 792,676      | (132,757)    |
| Net cash provided by operating activities  | 1,545,394    | 34,650       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |              |
| Purchase of property, leasehold improvements, and equipment                                  | (10,687)     | (100,206)    |
| Proceeds from sale of investments  | 838,256      | 62,874       |
| Purchase of investments  | (1,567,481)  | -            |
| Net cash used in investing activities  | (739,912)    | (37,332)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |              |
| Proceeds from lines of credit  | 83,662       | 545,423      |
| Payments on lines of credit  | (705,558)    | -            |
| Payments on note payable   | (60,784)     | (58,402)     |
| Net cash (used in) provided by financing activities  | (682,680)    | 487,021      |
| Net change in cash, cash equivalents, and restricted cash                                    | 122,802      | 484,339      |
| Cash, cash equivalents, and restricted cash at beginning of year                             | 1,660,272    | 1,175,933    |
| Cash, cash equivalents, and restricted cash at end of year                                   | \$ 1,783,074 | \$ 1,660,272 |

See accompanying notes.

**The Bar Association of San Francisco and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

---

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| RECONCILIATION OF CASH, CASH EQUIVALENTS,<br>AND RESTRICTED CASH |                     |                     |
| Cash and cash equivalents  | \$ 1,718,754        | \$ 1,598,714        |
| Restricted cash  | <u>64,320</u>       | <u>61,558</u>       |
|  | <u>\$ 1,783,074</u> | <u>\$ 1,660,272</u> |
| <br>SUPPLEMENTAL CASH-FLOW INFORMATION                           |                     |                     |
| Interest paid  | <u>\$ 124,955</u>   | <u>\$ 47,409</u>    |
| Taxes paid   | <u>\$ 15,231</u>    | <u>\$ 17,139</u>    |

---

See accompanying notes.

# The Bar Association of San Francisco and Affiliate

## Notes to Consolidated Financial Statements

---

### Note 1 – Organization and Principles of Consolidation

The consolidated financial statements include The Bar Association of San Francisco (BASF) and its affiliate, the Justice and Diversity Center of The Bar Association of San Francisco (JDC), collectively known as the Bar Association or the Organization. Inter-entity amounts are eliminated in these consolidated financial statements.

BASF was founded in 1872, and incorporated as a nonprofit organization in 1949, primarily to serve the needs of attorney members practicing in the City of San Francisco and the San Francisco community at large.

Established in 1977, JDC was incorporated in 1984 as a California nonprofit public benefit corporation. Its purpose is to provide free legal and social services to low-income individuals and families in San Francisco, California.

### Note 2 – Summary of Significant Accounting Policies

**Basis of presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations. Accordingly, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

**Description of net assets** – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

*Without donor restrictions* are net assets and activities that represent the portion of expendable funds that are available to support the Organization's operations. A portion of these net assets may be designated by the Organization's Board of Directors as a reserve for core operations as needed.

*With donor restrictions* is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, that are scheduled to be received more than one year in the future, are recorded at fair value, and classified as with donor restrictions until the funds are received and are discounted using a discount rate that is commensurate with the risks involved at the time the contribution is received. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a perpetual source of revenue for charitable purposes, are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor-restricted endowment funds is classified as with donor restriction until appropriated for use based on the Organization's spending policy. The Organization also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

**Cash and cash equivalents** – Cash and cash equivalents consist of highly liquid instruments with original maturities of three months or less at time of purchase. Restricted cash is excluded.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

**Restricted cash** – State Bar of California rules of professional conduct require attorneys to deposit funds received or held for the benefit of clients in a trust account separate from the attorney’s own funds. Restricted cash comprises such amounts.

**Accounts receivables, net** – Accounts receivables are recorded in the financial statements in the period received. Management provides an allowance for credit losses to estimate losses from uncollectible accounts. Under this method an allowance is recorded based upon historical experience and management’s evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer’s willingness or ability to pay. Recoveries of receivables previously written off are recorded when received. Management’s evaluation resulted in an allowance for credit losses of \$0 and \$5,900 as of December 31, 2023 and 2022, respectively. All receivables are due in less than one year.

**Pledges receivables, net** – Unconditional promises to give are recorded in the financial statements as pledges receivable and charitable contribution revenue in the period the promise is received. Pledges receivable due after one year are recorded at present value, which is calculated using a rate commensurate with the risks involved at the time the contribution is received. Pledges are written off in the period deemed uncollectible. The provision for uncollectible amounts is computed based on management’s evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer’s willingness or ability to pay. Using these criteria, the provision for uncollectible pledges receivable is \$8,150 as of December 31, 2023 and 2022. The provision for uncollectible amounts relating to pledges receivable is reported as an expense or loss in the net asset class in which the net assets are presented. Recoveries of pledge receivables previously written off are recorded when received.

**Grants receivables** – Grants receivables represent conditional agreements to support a specified cause or purpose. The majority of JDC’s grants operate on a reimbursable basis with consistent payment schedules. Revenue for conditional grants receivable is recorded once the funds have been earned and qualify to be reimbursed and received. Restricted revenue for unconditional grants is released once the purpose or time restriction is met. Grants receivables are stated at the amount JDC expects to collect from outstanding balances based on historical experience. Management does not believe that an allowance is required for grants receivable as of December 31, 2023 and 2022.

**Investments** – Investments, consisting of fixed income bond funds and equity securities at December 31, 2023 and 2022, are recorded at fair value, which is based upon quoted market prices. Income from gains and losses are shown net of external and direct internal expenses on investments of endowment and similar funds and are reported as follows:

- Increases or decreases in net assets with donor restrictions if the terms of the gift or the Organization’s interpretation of relevant state law requires they be added to the principle of a net asset with donor restrictions.
- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.
- Increases or decreases in net assets without donor restrictions in all other cases.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

**Leases** – The Organization recognizes assets and liabilities arising from leases with terms longer than 12 months on the consolidated statements of financial position. Leases are classified as either operating or financing, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization has operating lease assets of \$295,956 and \$1,012,508 and operating lease liabilities of \$306,463 and \$1,036,015, as of December 31, 2023 and 2022, respectively.

**Fixed assets, net** – Fixed assets are carried at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from thirty years for building, five to ten years for furniture and equipment, and three to five years for computer, software, and media assets. Leasehold improvements are amortized using the straight-line method over the useful lives or remaining terms of the leases, whichever is shorter. The Organization capitalizes furniture and fixtures, computer software, media assets, and leasehold improvements with a cost or fair value, if donated, of \$1,000 or more. The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair value or discounted estimates of future cash flows. The Organization has not identified any such impairment losses to date.

**Deferred revenue** – Deferred revenue relates to membership dues, seminar and events revenues, grant and contract revenues, and fee revenues where cash has been received but services have not yet been performed or expenses incurred.

**Income taxes** – BASF and JDC are exempt from Federal income tax under Sections 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code and Sections 23701e and 23701d, respectively, of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under Internal Revenue Code sections 511 through 515. Therefore, no provision for income taxes has been provided in these consolidated financial statements. The Organization has no unrecognized tax benefits or uncertain tax positions as of December 31, 2023 or 2022.

#### **Revenue recognition –**

Referral and other fees are recognized in the period in which the related services are provided. The majority of the Organization's referral and other fee are from client referral and mediation services.

- Contract and government grant revenues are recognized in accordance with Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU No. 2018-08)*. Contract and government grant revenues are considered to be a conditional contribution and the contribution is recognized as the performance obligation is satisfied or at the end of the service period. The performance obligation is met when services are performed and/or when expenses are incurred.
- Grant revenues are recognized in accordance with ASU No. 2018-08.

## **The Bar Association of San Francisco and Affiliate**

### **Notes to Consolidated Financial Statements**

---

- Contributions received as well as collectible unconditional promises to give are recognized in the period in which they are received and are reported as without donor restriction support unless they are received with donor restrictions that limit the use of the donated assets. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions. Net assets with donor restrictions are classified to net assets without donor restrictions when the donor restrictions are satisfied.
- Cy Pres awards are recognized as revenue on receipt in accordance with ASU No. 2018-08. These amounts represent an allocation of funds remaining after claims have been completed in class actions. The Court or the parties involved designate nonprofit organizations, such as JDC, as the recipient of these surplus funds.
- The Cooperative Restraining Order Clinic operates with designated funds in JDC. Its revenues are comprised of grants, contributions, and Cy Pres awards, as described above for these revenue categories.

The Organization records certain revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) Topic 606. Under ASC Topic 606, the Organization must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Organization satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

As of January 1, 2022, the balance of accounts receivables was \$520,890. The change in accounts receivable during the years ended December 31, 2023 and 2022, relates to the timing of billings and collections.

Certain sources of revenue are derived from interest and dividends earned on investment securities and other financial instruments that are not within the scope of ASC Topic 606. Sources of revenue from contracts with customers that are in the scope of ASC Topic 606 include the following:

- Membership dues are recognized in the year to which they relate.
- Continuing education, events, conferences, and special events – The Organization earns event revenue from customers for services rendered as the contract transaction occurs. Event revenue is charged to customers as events are registered for and is recognized as the performance obligation is satisfied or at the end of the event period. The performance obligation is met when services are performed.
- Advertising revenue is recognized when the publication carrying the advertisement is published.
- Royalties and other income are recognized on receipt or accrued according to contract. Royalties are received as a revenue share from vendors who provide member benefit programs to members of the Organization.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

**Allocation of functional expenses** – Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

**Advertising expense** – The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$38,800 and \$44,100 for the years ended December 31, 2023 and 2022, respectively.

**Concentration of credit risk** – Financial instruments that are potentially subject to risk consist primarily of cash and cash equivalents, investments, and receivables. Cash, cash equivalents, and investments consist primarily of balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity instruments in excess of Securities Investor Protection Corporation (SIPC) insurance limits. If any of the financial institutions with whom the Organization does business were to be placed into receivership with the FDIC, the Organization may be unable to access the cash it has on deposit with such institutions. If the Organization was unable to access its cash and cash equivalents as needed, the Organization's financial position and ability to operate its business could be adversely affected. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and investments.

**New accounting pronouncements** – In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivables. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions and reasonable and supportable forecasts, and replaced the probable/incurred loss model for measuring and recognizing expected losses under current GAAP. The ASU also requires disclosure of information regarding how a company developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. The ASU and its related clarifying updates are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Organization adopted the new standard on January 1, 2023, and it did not have a material impact on the estimate of the allowance for credit losses.

**Use of estimates** – In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Reclassifications** – Certain 2022 amounts have been reclassified to conform with the 2023 presentation. These reclassifications had no effect on net assets or changes in net assets.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 3 – Pledges Receivables, net

Pledges receivables, net expected to be realized at December 31 were as follows:

|  | 2023       | 2022       |
|--|------------|------------|
| Pledges less than one year                                     | \$ 303,207 | \$ 203,723 |
| Between one and five years                                     | 60,000     | 39,830     |
|  | 363,207    | 243,553    |
| Present value discount at effective rates<br>of 0.43% to 0.83% | (265)      | (265)      |
| Allowance for uncollectible pledges                            | (8,150)    | (8,150)    |
| Total pledges receivable                                       | \$ 354,792 | \$ 235,138 |

#### Note 4 – Investments and Fair Value Measurement

The following summarizes the composition of investments, at fair value, at December 31:

|                               | 2023          | 2022         |
|-------------------------------|---------------|--------------|
| Fixed income bond funds       |               |              |
| Domestic                      | \$ 4,065,995  | \$ 3,210,914 |
| International                 | 670,913       | 559,414      |
| Total fixed income bond funds | 4,736,908     | 3,770,328    |
| Equity securities             |               |              |
| International                 | 2,000,474     | 2,094,042    |
| Domestic                      | 3,026,452     | 2,231,804    |
| Commodities and real estate   | 969,559       | 909,062      |
| Total equity securities       | 5,996,485     | 5,234,908    |
|                               | \$ 10,733,393 | \$ 9,005,236 |

Fair value is defined as 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities. Fixed income bond funds and equity securities are valued using quoted market price;

**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; and

**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.



## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

All Organization investments in the accompanying consolidated statements of financial position are measured at fair value on a recurring basis and classified as Level 1 pursuant to the valuation hierarchy.

#### Note 5 – Fixed assets, net

Fixed assets, net, consisted of the following at December 31:

|   | <u>2023</u>                | <u>2022</u>                |
|---|----------------------------|----------------------------|
| Leasehold improvements                    | \$ 1,737,326               | \$ 1,737,326               |
| Computer equipment and software           | 1,404,448                  | 1,165,779                  |
| Building and building improvements        | 1,712,068                  | 1,712,068                  |
| Furniture and fixtures                    | 220,264                    | 220,534                    |
| Media equipment and software              | <u>430,361</u>             | <u>430,361</u>             |
|   | 5,504,467                  | 5,266,068                  |
| Accumulated depreciation and amortization | <u>(3,970,183)</u>         | <u>(3,805,684)</u>         |
| Land                                      | 1,140,000                  | 1,140,000                  |
| Work-in-progress                          | <u>65,794</u>              | <u>293,776</u>             |
|   | <u><u>\$ 2,740,078</u></u> | <u><u>\$ 2,894,160</u></u> |

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was \$164,769 and \$147,585, respectively.

#### Note 6 – Deferred Revenue

Deferred revenue consisted of the following as of December 31:

|                             | <u>2023</u>                | <u>2022</u>              |
|-----------------------------|----------------------------|--------------------------|
| Membership dues             | \$ 851,007                 | \$ 596,551               |
| Contract and grant revenues | 783,380                    | 288,511                  |
| Fee revenue                 | 8,687                      | 14,566                   |
| Seminar and event revenue   | 96,605                     | 43,290                   |
| Other                       | <u>7,581</u>               | <u>11,666</u>            |
|                             | <u><u>\$ 1,747,260</u></u> | <u><u>\$ 954,584</u></u> |

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

Changes in deferred revenue were as follows for the years ended December 31:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Deferred revenue, beginning of year    | \$ 954,584   | \$ 1,087,341 |
| Membership dues received               | 1,993,891    | 1,612,110    |
| Contract and grant revenues received   | 1,710,586    | 831,389      |
| Fee revenues received                  | 12,467       | 35,877       |
| Seminar and event revenues received    | 723,223      | 738,406      |
| Other revenues received                | 1,000        | 126,803      |
| Total deferred revenue                 | 5,395,751    | 4,431,926    |
| Membership dues recognized             | (1,739,435)  | (1,888,826)  |
| Contract and grant revenues recognized | (1,215,716)  | (756,952)    |
| Fee revenues recognized                | (18,346)     | (21,311)     |
| Seminar and event revenues recognized  | (669,908)    | (695,116)    |
| Other revenues recognized              | (5,086)      | (115,137)    |
| Total revenues recognized              | (3,648,491)  | (3,477,342)  |
| Deferred revenue, end of year          | \$ 1,747,260 | \$ 954,584   |

#### **Note 7 – Lines of Credit**

As of April 1, 2014, the Organization secured variable lines of credit from a financial institution up to \$2,525,516 and up to \$3,387,262, at December 31, 2023 and 2022, respectively. The lines of credit incur interest at 30-day LIBOR rate plus 2.5% (7.9586% and 6.6411% at December 31, 2023 and 2022, respectively). The lines of credit are reviewed annually and are due on demand. Under the terms of the lines of credit, they are secured by the investments held by the Organization. As of December 31, 2023 and 2022, the Organization had drawn \$974,484 and \$1,596,380, respectively, on these lines of credit. Interest expense totaled \$84,143 and \$45,424, for the years ended December 31, 2023 and 2022, respectively.

#### **Note 8 – Note Payable**

JDC obtained a commercial loan from a financial institution secured by property in the amount of \$1,144,000 at the annual rate of 3.95% on April 2, 2021, with a maturity date of April 2, 2036. Interest expense totaled \$40,812 and \$43,194 for the years ended December 31, 2023 and 2022, respectively. The outstanding principal balance as of December 31, 2023 and 2022, was \$985,989 and \$1,046,773, respectively.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

Maturities for the note payable are as follows:

| <u>Year Ending December 31,</u> |                          |
|---------------------------------|--------------------------|
| 2024                            | \$ 63,153                |
| 2024                            | 65,840                   |
| 2025                            | 68,525                   |
| 2026                            | 71,321                   |
| 2027                            | 74,150                   |
| Thereafter                      | <u>643,000</u>           |
|                                 | <u><u>\$ 985,989</u></u> |

Covenants under the note payable agreement include, among other things, that JDC provide audited financial statements to the financial institution within 120 days after the close of each calendar year.

#### **Note 9 – Paycheck Protection Program Loan**

In May 2020, JDC was granted a loan under the Paycheck Protection Program offered by the Small Business Administration under the Coronavirus Aid, Relief, and Economics Security Act (CARES Act), Section 7(a)(36) of the Small Business Act, for \$838,827. The loan bears interest at 1% with no payments for the first 10-months after the SBA 24-month covered period ending October 31, 2020. Monthly payments of principal and interest are scheduled to begin on August 31, 2021, and continue through maturity, if required. The loan is subject to partial or full forgiveness if JDC uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance.

JDC received full forgiveness of the loan in the amount of \$852,807, including interest, recorded as a gain on the extinguishment of debt for the year ended December 31, 2022, on the consolidated statement of activities.

#### **Note 10 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following at December 31:

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| Cooperative Restraining Order Clinic     | \$ 336,172                 | \$ 294,733                 |
| Legal Services                           | 244,747                    | 518,462                    |
| Diversity and Education                  | 178,007                    | 179,489                    |
| Immigration                              | 166,984                    | 159,314                    |
| Fundraising                              | 50,000                     | 55,000                     |
| Endowment                                | <u>1,236,610</u>           | <u>195,121</u>             |
| Total with donor restrictions net assets | <u><u>\$ 2,212,520</u></u> | <u><u>\$ 1,402,119</u></u> |

All net assets with donor restrictions will be utilized for their intended purpose until exhausted; however most net assets with donor restrictions are expected to be released from restriction by December 31, 2024, except for the donor restricted endowment that is held in perpetuity.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 11 – Net Assets Released from Donor Restrictions

Net assets released from grants with donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31, 2023 and 2022, were as follows:

|                                      | 2023       | 2022       |
|--------------------------------------|------------|------------|
| Legal Services                       | \$ 338,949 | \$ 356,753 |
| Diversity and Education              | 102,500    | 115,301    |
| Immigration                          | 27,500     | 25,000     |
| Cooperative Restraining Order Clinic | 25,500     | 56,915     |
| Fundraising                          | 5,000      | 5,000      |
| Endowment                            | -          | 22,000     |
|                                      | \$ 499,449 | \$ 580,969 |

#### Note 12 – Endowment

The Organization's endowment consists of investments established to support the operations of the Organization. The endowment represents donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law** – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 in California (CPMIFA) for donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the corpus funds subjected to CPMIFA is classified as with donor restriction. The corpus represents the fair value of the original gift as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained in perpetuity, as of December 31, 2023 and 2022, the corpus of net assets with donor restrictions endowment funds was \$1,200,000 and \$200,000, respectively. The value of assets in excess of original gifts in donor-restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Organization.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

The Organization is required to provide information about net assets that are defined as endowment, restricted in perpetuity by donors (net assets with donor restrictions). The changes in endowment net assets for the years ended December 31, 2023 and 2022, were as follows:

|  | <u>With<br/>Donor<br/>Restrictions</u> |
|--|--|
| Donor restricted endowments as of December 31, 2021  | \$ 233,785                             |
| Investment loss, net                                 | (16,664)                               |
| Appropriation of endowment<br>assets for expenditure | <u>(22,000)</u>                        |
| Donor restricted endowments as of December 31, 2022  | 195,121                                |
| Investment income, net                               | 41,489                                 |
| Contributions  | <u>1,000,000</u>                       |
| Donor restricted endowments as of December 31, 2023  | <u><u>\$ 1,236,610</u></u>             |

**Funds with deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted CPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2022, funds with original gift values of \$200,000, fair values of \$195,121, and deficiencies of \$4,879 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ending December 31, 2022. As a result, grants of awards from this fund are suspended until the fund value is sufficient to once again make awards in accordance with the endowment purpose. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions. As of December 31, 2023, there were no funds with deficiencies.

**Return objectives and risk parameters** – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization operations that is partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives** – To satisfy its long-term rate-of-return objectives, the Organization has adopted a strategy of holding a substantial majority of its endowment assets in mutual funds.

# The Bar Association of San Francisco and Affiliate

## Notes to Consolidated Financial Statements

---

**Spending policy and how the investment objectives relate to spending policy** – The Organization has a policy of appropriating for distribution each year no more than the amount stipulated by the funder for the annual Minority Law Scholarship, no less than \$10,000, subject to earnings on the endowment being sufficient to cover the scholarship. Over the long term, this is expected to provide support for a three-year Minority Law Scholarship while keeping the increase/(decrease) year-over-year minimal to help provide the predictable level of funding needed. The effect of this draw is to slowly increase the support of a three-year scholarship when the endowment is growing and postpone the award if the endowment value falls. Excessive market loss can also impact the value of the endowment, in which case granting awards through the endowment will be further postponed until the market value of the endowment recovers, or the endowment is otherwise liquidated as directed by the donor or his estate. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### **Note 13 – Commitments and Contingencies**

**Leases** – BASF signed a four-year operating lease for a new office space that commenced on May 1, 2021, which will expire on May 31, 2024.

Total rent expense for the Organization for the years ended December 31, 2023 and 2022, was \$808,715 and \$912,937, respectively, and includes building lease operating expense.

Future minimum lease payments are as follows:

| <u>Year Ending December 31,</u> |                          |
|---------------------------------|--------------------------|
| 2024                            | <u>\$ 326,123</u>        |
| Total lease payments            | 326,123                  |
| Less: present value discount    | <u>(19,660)</u>          |
| Operating lease liability       | <u><u>\$ 306,463</u></u> |

Supplemental cash flow and other information related to leases was as follows:

#### Lease Term and Discount Rate

|                      |           |
|----------------------|-----------|
| Remaining lease term | 0.4 years |
| Discount rate        | 3.95%     |

**Federal grants** – JDC has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, in the opinion of management, JDC has complied with all the conditions of its grants and contracts for services and any potential liability arising from any such audit may result in JDC having to return grant funds to the federal funding agency.

### **Note 14 – Profit Sharing Plan**

The Organization maintains a defined contribution profit sharing and 401(k) plan that covers all employees meeting certain age and service eligibility requirements. Profit sharing expense in 2023 and 2022, was \$236,589 and \$206,107, respectively.

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 15 – Related-Party Transactions

BASF allocates a portion of both its general and administrative expense to its affiliate. The basis for these allocations is an estimate of time spent by BASF employees on JDC activities benefiting the affiliate. For purposes of the consolidated financial statements, the intercompany transactions are eliminated. Special events revenues relate to events from which most net proceeds are contributed to JDC.

#### Note 16 – Designated Net Assets

The Lawyer Referral and Information Services (LRIS) program operates with designated funds within BASF. LRIS is Certified by the State Bar of California and governed by the rules for a certified lawyer referral service. Net assets in excess of annual operating expenses may only be used for specific purposes and therefore must be segregated from the general fund net assets of BASF.

The LRIS designated net assets as of December 31, 2023 and 2022, were as follows:

|   | <u>2023</u>                | <u>2022</u>                |
|---|----------------------------|----------------------------|
| Revenues  | \$ 3,145,254               | \$ 1,934,171               |
| Expenses  | <u>(2,520,427)</u>         | <u>(2,084,726)</u>         |
| Excess of revenues over expenses                | 624,827                    | (150,555)                  |
| Designated net asset balance, beginning of year | <u>3,159,183</u>           | <u>3,309,738</u>           |
| Total BASF designated net assets                | <u><u>\$ 3,784,010</u></u> | <u><u>\$ 3,159,183</u></u> |

The Cooperative Restraining Order Clinic (CROC) operates with designated funds. JDC provides Fiscal Sponsorship to CROC for a fee and it shares in JDC's legal and tax-exempt status. CROC is engaged in activities that aligns with JDC's mission. CROC is maintained as a separate fund, including a separate balance sheet and net assets, which are reserves arising from CROC's activities.

Cy Pres awards, once recognized as revenue, are considered board-designated net assets for the purposes of maintaining an operating reserve. The use of these funds is approved each year by the Board as part of the budget process. The Board approved \$0 of the designated net assets to be spent on general operating purposes for the years ending December 31, 2023 and 2022.

The JDC designated net assets as of December 31, 2023 and 2022, were as follows:

|   | <u>2023</u>                | <u>2022</u>                |
|---|----------------------------|----------------------------|
| Revenues  | \$ 1,192,861               | \$ 603,473                 |
| Expenses  | <u>(1,117,556)</u>         | <u>(684,900)</u>           |
| Excess of revenues over expenses                | 75,305                     | (81,427)                   |
| Designated net asset balance, beginning of year | <u>434,791</u>             | <u>516,218</u>             |
| Total CROC designated net assets, end of year   | 510,096                    | 434,791                    |
| JDC Board designated net assets, at end of year | <u>1,062,191</u>           | <u>962,192</u>             |
| Total JDC designated net assets                 | <u><u>\$ 1,572,287</u></u> | <u><u>\$ 1,396,983</u></u> |

## The Bar Association of San Francisco and Affiliate

### Notes to Consolidated Financial Statements

---

Total designated net assets as of December 31, 2023 and 2022, were as follows:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Total BASF designated net assets         | \$ 3,784,010 | \$ 3,159,183 |
| Total JDC designated net assets          | 1,572,287    | 1,396,983    |
| Total designated net assets, end of year | \$ 5,356,297 | \$ 4,556,166 |

Revenue and expense amounts shown above differ from those shown in the consolidated statements of activities for the various programs due to transactions between entities that have been eliminated upon consolidation.

#### **Note 17 – Liquidity and Availability**

Financial assets available for nonprogram related general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position are comprised of the following:

|  |              |
|--|--------------|
| Financial assets   |              |
| Cash and cash equivalents  | \$ 1,718,754 |
| Restricted cash  | 64,320       |
| Accounts receivable, net   | 1,379,091    |
| Pledges receivables, net   | 354,792      |
| Grants receivables   | 1,859,043    |
| Investments  | 10,733,393   |
| Financial assets, at December 31, 2023   | 16,109,393   |
| Less those unavailable for nonprogram related general expenditure within one year, due to:                   |              |
| Restricted cash  | (64,320)     |
| Pledges receivables collectible beyond one year  | (60,000)     |
| LRIS designated net assets   | (3,784,010)  |
| CROC designated net assets   | (510,096)    |
| JDC Board designated net assets  | (1,062,191)  |
| Perpetual and term endowments and accumulated earnings<br>subject to appropriation beyond one year           | (1,226,610)  |
| Financial assets available to meet cash needs for nonprogram related<br>general expenditures within one year | \$ 9,402,166 |

As of December 31, 2022, the Organization had financial assets of \$8,344,632 available for nonprogram related general expenditures.

The Organization's policy is to structure its financial assets to be available to cover the following in order of priority: current operations, capital assets, planned future operations, opportunities to enhance the Organization's mission, unanticipated expenses, and sudden shortfalls in revenues. Available to the Organization are their lines of credit as discussed in Note 7 above which may be utilized should the Organization face shortfalls in liquidity from operations.



## **The Bar Association of San Francisco and Affiliate**

### **Notes to Consolidated Financial Statements**

---

#### **Note 18 – 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. The Organization recognizes 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 the estimates inherent in the process of preparing the consolidated financial statements.

Subsequent to December 31, 2023, BASF entered into a new operating lease for office space that commences June 1, 2024, which will expire May 31, 2032.

The Organization has evaluated subsequent events through April 26, 2024, which is the date the consolidated financial statements are available to be issued.

