

EASTSIDE LEGAL ASSISTANCE PROGRAM

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2022 and 2021

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Eastside Legal Assistance Program
Bellevue, Washington

Opinion

We have audited the accompanying financial statements of Eastside Legal Assistance Program (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Eastside Legal Assistance Program as of December 31, 2022, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastside Legal Assistance Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastside Legal Assistance Program’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eastside Legal Assistance Program'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastside Legal Assistance Program'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.

Northstar Tax and Accounting

North Star Tax & Accounting
Snohomish, WA
November 6, 2023

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	12/31/2022	12/31/2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 250,078	\$ 172,351
Promises to give - current	1,500	-
Grants receivable	280,974	159,520
Prepaid expenses and other assets	4,978	2,849
Total current assets	537,530	334,720
Office lease - right of use asset	264,014	-
Property and equipment, net	5,381	9,146
Security deposit	3,887	3,887
Total noncurrent assets	273,282	13,033
TOTAL ASSETS	\$ 810,812	\$ 347,753
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,128	\$ 27,437
Accrued expenses	175,087	134,413
Other current liabilities	64,749	74,784
Total current liabilities	251,964	236,634
Office lease liability	227,351	-
Total liabilities	479,315	236,634
NET ASSETS		
Without donor restrictions	251,497	111,119
With donor restrictions	80,000	-
Total net assets	331,497	111,119
TOTAL LIABILITIES AND NET ASSETS	\$ 810,812	\$ 347,753

The accompanying notes are an integral part of these financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	12/31/2022	12/31/2021
Changes in net assets without donor restrictions:		
Revenues and support:		
Grants	\$ 1,831,923	\$ 1,385,568
Special events, net of expenses of \$48,121 and \$33,886, respectively	154,742	147,236
Contributions	148,934	146,285
In-kind contributions	84,314	154,925
Other income	367	230
Total revenue and support without donor restrictions	2,220,280	1,834,244
Net assets released from restriction:		
Satisfaction of program restrictions	227,501	167,350
Satisfaction of equipment acquisitions	-	6,716
Total net assets released from restrictions	227,501	174,066
FUNCTIONAL EXPENSES		
Program services	1,917,315	1,622,521
Management and general	265,075	309,756
Fundraising	125,013	115,753
Total functional expenses	2,307,403	2,048,030
Changes in net assets with donor restrictions		
Grants	307,501	-
Net assets released from restriction	(227,501)	(174,066)
Increase (decrease) in net assets with donor restrictions	80,000	(174,066)
CHANGE IN NET ASSETS	220,378	(213,786)
NET ASSETS, BEGINNING OF PERIOD	111,119	324,905
NET ASSETS, END OF PERIOD	\$ 331,497	\$ 111,119

The accompanying notes are an integral part of these financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services				Management and General	Fundraising	Total
	Civil Legal Aid Programs	Clinic & Wills Projects	Community Education & Engagement	Total Program Services			
FUNCTIONAL EXPENSES							
Salaries	\$ 731,200	\$ 50,774	\$ 121,147	\$ 903,121	\$ 185,049	\$ 84,993	\$ 1,173,163
Payroll taxes	62,085	4,879	10,151	77,115	15,281	7,008	99,404
Employee benefits	50,094	7,420	15,638	73,152	16,059	6,476	95,687
Client assistance	513,439	-	-	513,439	-	-	513,439
Contract services	131,841	1,050	1,045	133,936	14,834	12,944	161,714
In-kind	-	84,314	-	84,314	-	-	84,314
Rent	53,132	4,791	4,766	62,689	8,217	3,811	74,717
Library and subscriptions	11,434	1,213	858	13,505	2,119	1,628	17,252
Travel, meals, and parking	13,030	498	782	14,310	263	899	15,472
Telephone and internet	9,248	771	1,096	11,115	2,025	734	13,874
Miscellaneous	1,483	14	14	1,511	10,529	515	12,555
Dues and membership fees	6,518	608	213	7,339	2,198	2,386	11,923
Office expense	5,635	433	228	6,296	1,202	1,600	9,098
Facilities and equipment	6,227	-	-	6,227	1	1,058	7,286
Printing, copier, and reproduction	4,690	288	286	5,264	485	569	6,318
Insurance	2,027	102	102	2,231	2,098	81	4,410
Staff training	1,150	-	-	1,150	720	10	1,880
Postage and shipping	567	17	17	601	30	301	932
License & permits	-	-	-	-	200	-	200
Depreciation	-	-	-	-	3,765	-	3,765
TOTAL FUNCTIONAL EXPENSES	\$ 1,603,800	\$ 157,172	\$ 156,343	\$ 1,917,315	\$ 265,075	\$ 125,013	\$ 2,307,403

The accompanying notes are an integral part of these financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services				Management and General	Fundraising	Total
	Civil Legal Aid Programs	Clinic & Wills Projects	Community Education & Engagement	Total Program Services			
FUNCTIONAL EXPENSES							
Salaries	\$ 678,753	\$ 113,451	\$ 99,083	\$ 891,287	\$ 192,969	\$ 80,602	\$ 1,164,858
Payroll taxes	59,695	10,709	8,861	79,265	17,099	6,990	103,354
Employee benefits	49,653	13,717	11,696	75,066	15,197	5,927	96,190
Client assistance	90,139	-	-	90,139	-	-	90,139
Contract services	165,383	3,675	2,837	171,895	39,264	8,984	220,143
In-kind	-	147,425	-	147,425	7,500	-	154,925
Rent	50,702	8,151	6,292	65,145	9,263	3,694	78,102
Library and subscriptions	11,322	1,754	1,402	14,478	3,114	1,694	19,286
Travel, meals, and parking	1,465	299	306	2,070	502	472	3,044
Telephone and internet	8,229	1,233	1,102	10,564	1,323	695	12,582
Miscellaneous	632	-	76	708	5,997	1,409	8,114
Dues and membership fees	5,624	707	520	6,851	1,551	2,025	10,427
Office expense	8,295	1,405	1,384	11,084	3,593	2,072	16,749
Facilities and equipment	11,788	-	1,040	12,828	145	-	12,973
Printing, copier, and reproduction	2,757	557	430	3,744	709	413	4,866
Insurance	5,633	-	-	5,633	868	267	6,768
Staff training	1,522	-	-	1,522	2,756	65	4,343
Postage and shipping	451	7	7	465	114	437	1,016
License & permits	-	-	-	-	110	-	110
Bad debts	32,245	-	-	32,245	3,899	-	36,144
Equipment rental & maintenance	79	16	12	107	18	7	132
Depreciation	-	-	-	-	3,765	-	3,765
TOTAL FUNCTIONAL EXPENSES	\$ 1,184,367	\$ 303,106	\$ 135,048	\$ 1,622,521	\$ 309,756	\$ 115,753	\$ 2,048,030

The accompanying notes are an integral part of these financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	12/31/2022	12/31/2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 220,378	\$ (213,786)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	3,765	3,765
Bad debt expense	-	36,144
Changes in operating assets and liabilities		
(Increase) decrease in promises to give - current	(1,500)	2,000
(Increase) decrease in grants receivable	(121,454)	133,833
(Increase) decrease in prepaid expenses and other assets	(2,129)	2,326
Increase (decrease) in accounts payable	(15,309)	16,524
Increase (decrease) in accrued expenses	40,674	41,084
Increase (decrease) in other current liabilities	(46,698)	(7,672)
Increase (decrease) in deferred rent		(1,316)
Net cash provided (used) from operating activities	77,727	12,902
 NET CHANGE IN CASH	 77,727	 12,902
 CASH, BEGINNING OF YEAR	 172,351	 159,449
 CASH, END OF YEAR	 \$ 250,078	 \$ 172,351
 SUPPLEMENTAL INFORMATION		
Non-cash increase in office lease - right of use asset, other current liabilities and office lease liability for office space operating lease	\$ 264,014	\$ -

The accompanying notes are an integral part of these financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION AND OPERATIONS

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 program provides free legal services and client assistance funds 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

Basis of presentation – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements reflect all significant receivables, payables and other liabilities. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ELAP and changes therein are classified and reported as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations and are available for operations. Unrestricted net assets also include those assets that are board-designated for a particular purpose. Since the board has authority to revoke their decision at any time, these assets are not subject to the same restrictions as those from grantors/donors.

Net assets with donor restrictions are subject to donor-imposed stipulations that may be met, either by actions of ELAP, the occurrence of certain events, or the passage of time, or are subject to donor-imposed stipulations to be maintained permanently by ELAP.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulation or by law. When a restriction expires or the terms of the donation have been satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash – For purposes of the statement of cash flows, includes all short term, highly liquid unrestricted investments with an original maturity of three months or less.

Promises to give – Unconditional promises to give are recognized as contributions revenue in the period the pledge is made and as assets, decreases of liabilities, or expenses depending upon the form of benefits received. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met and become unconditional. Promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows using a rate of return commensurate with the expected risk and term of the promises to give. Based upon experience, ELAP expects to fully collect the promises to give.

Property, equipment, and depreciation – Property and equipment are carried at cost, or if donated, at the estimated fair market value at the date of donation. 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 5 to 7 years. Depreciation expense was \$3,765 and \$3,765 for the years ended December 31, 2022 and 2021, respectively.

Fair Value Disclosure – In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for fair value measurements. 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows: Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Grants Receivable – Grants receivable are from the State of Washington, King County Washington, and cities within King County. An allowance for uncollectible grants is not considered necessary based on the nature of these entities and ELAP's history with the grantors.

Donated assets and services – 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, 2022 and 2021, ELAP recognized \$84,314 and \$147,425, respectively, of pro bono legal services, which represent approximately 329 and 590 hours, respectively. Donated services were utilized in the Legal Advice Clinic and Wills Project programs. 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.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue – Other revenue received prior to the year-end for services to be performed in the subsequent period is recorded as deferred revenue.

Revenue – ELAP performs an analysis of contributions and grants to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.

Contributions and grants qualifying under the contribution rules, are recognized as revenue in the period received and recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized when the conditions 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, 2022 and 2021.

Revenues from grants that are deemed to be nonreciprocal qualify for accounting as conditional contributions. Revenue is recognized when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Federal income tax status – ELAP is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on earnings associated with its exempt purpose. Unrelated business income is taxed at regular corporate rates.

Accounting principles generally 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, 2022, 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.

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 generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements adopted – In February 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of recognition in the statement of activities. ELAP adopted the standard on January 1, 2022 and elected the practical expedient allowing for carryover of lease classification.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. ELAP adopted ASU 2020-07 during the year ended December 31, 2022. The adoption of the standard had no impact on the Organization’s financial statements for the year ended December 31, 2022.

Subsequent events – Management has evaluated subsequent events through November 6, 2023 the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS

ELAP maintains cash balances in two financial institutions located in Washington State. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) up to \$250,000. At December 31, 2022 and 2021, there were no uninsured cash balances, respectively.

ELAP’s activities are limited to King County in Washington State and the Organization receives a substantial portion of its support from the cities of King County, King County, and the State of Washington.

NOTE 4 – LIQUIDITY

The following reflects ELAP’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

	12/31/2022	12/31/2021
Cash and cash equivalents	\$ 250,078	\$ 172,351
Promises to give - current	1,500	-
Grants receivable	280,974	159,520
<i>Total financial assets</i>	532,552	331,871
Less financial assets unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	80,000	-
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	\$ 452,552	\$ 331,871

EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LIQUIDITY (continued)

ELAP's support includes restricted grants and contributions. Because a grantor's and donor's restriction require 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 5 – EMPLOYEE PENSION 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, 2022 and 2021 were \$12,259 and \$14,071, respectively.

NOTE 6 – OPERATING LEASE COMMITMENT

As described in Note 2, Accounting Standards Codification (ASC) 842 – *Leases*, as promulgated by the Financial Accounting Standards Board (FASB), became applicable for the year ended December 31, 2022.

The most significant change introduced by ASC 842 is the requirement for lessees to recognize lease assets and liabilities on their balance sheets for both Operating and Finance leases. This means that operating lease obligations that were previously off-balance-sheet are now reported on the Statement of Financial Position, giving stakeholders a clearer view of the Organization's financial position.

Under ASC 842, lessees are required to initially measure the lease liability at the present value of lease payments and the right-of-use asset at the amount of the lease liability adjusted for initial direct costs, prepaid or accrued lease payments, or other incentives provided by the lessor. ELAP is party to an operating lease agreement for office space with a \$3,887 security deposit and an extended lease expiration of June 2028. Upon adoption of ASC 842 on January 1, 2022 ELAP recognized an office lease - right of use asset and associated office lease liability of \$48,561 using a discount rate of 4.75% which is based on the risk-free rate at the time of lease modification in 2019.

During 2022 the lease agreement was again modified to extend the lease expiration to June 2028 and add cancellation provisions subject to certain restrictions. At December 31, 2022 the balance of the office lease - right of use asset and associated office lease liability (less current portion of \$36,663) is \$264,014 which assumes no cancellation and uses a discount rate of 7.5% which is the risk-free rate at the time of lease modification in 2022. Total rent expense, including variable lease payments for ELAP's share of operating expenses, were \$74,717 and \$78,102 for the years ended December 31, 2022 and 2021, respectively.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – OPERATING LEASE COMMITMENT (continued)

Future minimum lease payments are as follows:

2023	\$	55,236
2024		56,893
2025		58,600
2026		60,358
2027		62,169
Thereafter		<u>31,544</u>
		324,800
Less: discount to net present value		(60,786)
Less: current portion of office lease liability		<u>(36,663)</u>
Total office lease liability	\$	<u>227,351</u>

NOTE 7 – 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>12/31/2022</u>	<u>12/31/2021</u>
Purpose restrictions accomplished:		
Domestic violence expenses	\$ 42,500	\$ 76,350
Salary of pro bono council manager	99,390	88,000
Low bono contract attorney network	85,611	-
Family rental and legal assistance	-	3,000
Purchase of computer and telephone equipment	-	6,716
	<u>\$ 227,501</u>	<u>\$ 174,066</u>

NOTE 8 – PAYROLL PROTECTION PROGRAM LOAN

In 2020 ELAP received a Payroll Protection Program loan through a bank backed by the United States Small Business Administration (SBA) and received forgiveness of that loan. Subsequent to 2020, the Organization identified an error in the loan forgiveness application and accrued \$47,000 as a contingent liability while they pursued corrective action during 2021 and 2022. After correspondence with the SBA and the issuing bank, it was determined that it is not possible to file an amended loan forgiveness application after forgiveness has been granted. The PPP loan forgiveness remains subject to examination by the SBA for a period of 10 years from the date of forgiveness. As ELAP has not been given notice of an examination, Management believes that the likelihood of an event confirming the contingency has become less than probable. Additionally, Management believes that if an examination were to occur, modifying the covered period from 8 weeks to 24 weeks would mitigate the risk of contingent loss. Accordingly, ELAP reversed the accrual related to this contingency during 2022.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before the financial statements are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent to the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through November 6, 2023, the date on which the financial statements were available to be issued.