Report of Independent Auditors
and Financial Statements

Justice and Diversity Center of
The Bar Association of San Francisco

December 31, 2023

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Justice and Diversity Center of The Bar Association of San Francisco

Report on the Financial Statements

Opinion

We have audited the financial statements of the Justice and Diversity Center of The Bar Association of San Francisco (JDC), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Justice and Diversity Center of The Bar Association of San Francisco as of December 31, 2023, and the changes in net assets 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JDC 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 JDC'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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 JDC'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 JDC'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.

Moss Adams LLP

San Francisco, California
April 26, 2024

Financial Statements

Justice and Diversity Center of
The Bar Association of San Francisco
Statement of Financial Position
December 31, 2023

ASSETS	
Cash and cash equivalents	$ 853,117
Restricted cash	64,320
Pledge receivables, net	354,792
Grants receivables	1,859,043
Other receivables	6,601
Prepaid expenses	64,590
Investments	4,836,293
Fixed assets, net	2,390,312
Total assets	$ 10,429,068
LIABILITIES AND NET ASSETS	
LIABILITIES	
Note payable	$ 985,989
Accounts payable	131,398
Accrued liabilities	406,423
Funds held in trust	64,320
Due to The Bar Association of San Francisco	785,244
Deferred revenue	783,380
Total liabilities	3,156,754
NET ASSETS	
Without donor restrictions	
Undesignated	3,487,507
Designated	1,572,287
Total without donor restrictions	5,059,794
With donor restrictions	
Program services	975,910
Endowment	1,236,610
Total with donor restrictions	2,212,520
Total net assets	7,272,314
Total liabilities and net assets	$ 10,429,068

See accompanying notes.

Justice and Diversity Center of
The Bar Association of San Francisco
Statement of Activities
Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Contracts and government grants	$ 6,341,989	$ -	$ 6,341,989
Charitable contributions and grants	1,892,259	1,268,361	3,160,620
Events	450,700	-	450,700
Contributions from The Bar Association of San Francisco	100,000	-	100,000
Investment income, net	379,050	41,489	420,539
Other	360	-	360
Net assets released from restriction	499,449	(499,449)	-
Total revenues and other support	9,663,807	810,401	10,474,208
Expenses			
Program services			
Legal Services	4,659,822	-	4,659,822
Immigration Program	843,178	-	843,178
Diversity Educational Programs	192,064	-	192,064
Cooperative Restraining Order Clinic	1,117,555	-	1,117,555
Total program services	6,812,619	-	6,812,619
Supporting services			
Management and general	925,681	-	925,681
Fundraising	489,397	-	489,397
Total supporting services	1,415,078	-	1,415,078
Total expenses	8,227,697	-	8,227,697
Change in net assets	1,436,110	810,401	2,246,511
Net assets, beginning of year	3,623,684	1,402,119	5,025,803
Net assets, end of year	$ 5,059,794	$ 2,212,520	$ 7,272,314

See accompanying notes.

Justice and Diversity Center of
The Bar Association of San Francisco
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services					Supporting Services			
	Legal Services	Immigration Program	Diversity Educational Programs	Cooperative Restraining Order Clinic	Subtotal	Management and General	Fundraising	Subtotal	Total
Personnel	$ 3,644,817	$ 680,273	$ 55,850	$ 714,958	$ 5,095,898	$ 703,434	$ 274,385	$ 977,819	$ 6,073,717
Subcontractor	354,478	-	-	133,147	487,625	-	3,520	3,520	491,145
Telecommunications	45,383	5,968	416	21,003	72,770	-	1,369	1,369	74,139
Insurance	45,657	7,428	624	7,428	61,137	-	2,472	2,472	63,609
Fees, Dues, & Subscriptions	41,048	5,907	-	16,888	63,843	-	70	70	63,913
Supplies	26,800	11,505	177	8,288	46,770	356	1,701	2,057	48,827
Technology	52,906	12,540	-	34,805	100,251	-	11,507	11,507	111,758
Training	3,215	200	-	8,481	11,896	-	-	-	11,896
Rent and occupancy	253,375	61,654	17,616	51,304	383,949	118,937	26,424	145,361	529,310
Events	7,245	4,051	1,993	18,094	31,383	-	133,432	133,432	164,815
Scholarships and stipends	2,500	-	108,500	-	111,000	-	-	-	111,000
Conference and travel	7,987	13,363	5,872	10,522	37,744	-	736	736	38,480
Interest expense	-	-	-	-	-	41,292	-	41,292	41,292
Grants administration	45,600	4,159	25	-	49,784	1,217	32,340	33,557	83,341
Administrative	62,722	36,130	991	90,478	190,321	60,445	1,441	61,886	252,207
Depreciation and amortization	66,089	-	-	2,159	68,248	-	-	-	68,248
Total expenses	$ 4,659,822	$ 843,178	$ 192,064	$ 1,117,555	$ 6,812,619	$ 925,681	$ 489,397	$ 1,415,078	$ 8,227,697

See accompanying notes.

Justice and Diversity Center of
The Bar Association of San Francisco
Statement of Cash Flows
Years Ended December 31, 2023

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	$ 2,246,511
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	68,248
Change in allowance for doubtful accounts	(5,900)
Investment gain, net	(312,593)
Dividends and interest income reinvested	(107,946)
Change in operating assets and liabilities	
Pledges receivables	(119,654)
Grants receivables	(853,398)
Other receivables	217,817
Prepaid expenses	(43,289)
Accounts payable	(16,852)
Accrued liabilities	(10,192)
Funds held in trust	2,762
Due to The Bar Association of San Francisco	(427,497)
Deferred revenue	494,870
Net cash provided by operating activities	1,132,887
CASH FLOWS USED IN INVESTING ACTIVITIES	
Proceeds from sale of investments	827,257
Purchase of investments	(1,567,481)
Net cash used in investing activities	(740,224)
CASH FLOWS USED IN FINANCING ACTIVITIES	
Proceeds from line of credit	583
Payments on line of credit	(106,141)
Payments on note payable	(60,784)
Net cash used in financing activities	(166,342)
Net increase in cash, cash equivalents, and restricted cash	226,321
Cash, cash equivalents, and restricted cash at beginning of year	691,116
Cash, cash equivalents, and restricted cash, at end of year	$ 917,437
Reconciliation of cash, cash equivalents, and restricted cash	
Cash and cash equivalents	$ 853,117
Restricted cash	64,320
Total cash, cash equivalents, and restricted cash	$ 917,437
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	$ 41,292

See accompanying notes.

Note 1 – Organization

Established in 1977, the Justice and Diversity Center of The Bar Association of San Francisco (JDC) incorporated in 1984, as a California nonprofit public benefit corporation. Its purpose is to provide access to free, low-cost, and pro bono legal services to low-income individuals and families in San Francisco, assisting community-based organizations that serve low-income persons, and offering educational programs that foster diversity in the legal profession.

JDC and The Bar Association of San Francisco (BASF), collectively known as the Bar Association, are affiliated corporations. The Board of Directors of BASF appoints the Board of Directors of JDC, and the officers of BASF also serve as the officers of JDC.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying 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, revenues, and 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 is defined as that portion of net assets that has no use or time restrictions. A portion of net assets without donor restrictions have been designated by JDC’s Board of Directors as a reserve to be used 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 at a rate 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 permanent source of revenue for charitable purposes, are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor-restricted endowment funds is classified as with donor restrictions until appropriated for use based on JDC’s spending policy. JDC 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, purpose-restricted funds 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 the time of purchase. Restricted cash is excluded.

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.

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. 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.

Other receivables – Other 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 as of December 31, 2023. All receivables are due in less than one year.

Investments – Investments, consisting of fixed-income bond funds and equity securities at December 31, 2023, are recorded at fair value, which is based upon quoted market prices. Income from gains and losses 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 JDC'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.

Property, leasehold improvements, and equipment – Property, leasehold improvements, and equipment are carried at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from thirty years for buildings, five to ten years for furniture and fixtures, 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. JDC capitalizes furniture and fixtures, computer software, media assets, and leasehold improvements, with a cost or fair value, if donated, of $1,000 or more. JDC 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. JDC has not identified any such impairment losses to date.

Due to The Bar Association of San Francisco – Accounts payable to affiliate are unsecured and are stated at the amount management expects to pay the affiliated entity.

Deferred revenue – Deferred revenue relates to seminar and events revenues, contract and government grant revenues where cash has been received but services have not yet been performed or expenses incurred. As of December 31, 2023, all deferred revenue relates to contract and government grant revenues.

Income taxes – JDC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. Therefore, no provision for income taxes has been provided in these financial statements. JDC had no unrecognized tax benefits or uncertain tax positions as of December 31, 2023.

Revenue recognition –

- Contract and government grant revenues are recognized in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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.

- 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.

- Contributions from The Bar Association of San Francisco are included in the charitable contributions and grants on the statement of activities, which include contributions provided to JDC from its affiliate.

- Cy Pres awards are recognized as contribution 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 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.

JDC records certain revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, JDC 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) JDC satisfies a performance obligation.

As of January 1, 2023, the balance of other receivables was $218,518. The change in other receivables during the year ended December 31, 2023, 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 Topic 606. Revenue from contracts with customers in the scope of Topic 606 is recognized in noninterest income. Sources of revenue from contracts with customers that are in the scope of Topic 606 include the following:

- *Events revenue* – JDC 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.

Allocation to functional expenses – Expenses that 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.

Concentration of credit risk – Financial instruments that are potentially subject to risk consist primarily of cash and cash equivalents, investments, and receivables. Receivables include amounts due from a limited number of federal, state, and county governments. JDC has not experienced any losses in such accounts in the past. Financial instruments potentially subjecting JDC to concentrations of credit risk consist primarily of bank demand deposits 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 investments in excess of Securities Investor Protection Corporation (SIPC) insurance. If any of the financial institutions with whom JDC does business were to be placed into receivership with the FDIC, JDC may be unable to access the cash it has on deposit with such institutions. If JDC was unable to access its cash and cash equivalents as needed, JDC's financial position and ability to operate its business could be adversely affected. JDC 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. JDC 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 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 financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3 – Pledges Receivables, net

Pledges receivables, net expected to be realized at December 31, 2023, were as follows:

Pledges less than one year	$ 303,207
Between one and five years	60,000
	363,207
Present value discount at effective rates of 0.43% to 0.83%	(265)
Allowance for uncollectible pledges	(8,150)
Total pledges receivable	$ 354,792

Note 4 – Investments and Fair Value Measurement

The following summarizes the composition of investments at December 31, 2023:

Fixed income bond funds	
Domestic	$ 2,202,244
International	264,886
Total fixed income bond funds	2,467,130
Equity securities	
International	790,077
Domestic	1,195,165
Commodities and real estate	383,921
Total equity securities	2,369,163
	$ 4,836,293

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.

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.

All of JDC’s investments in the accompanying statement of financial position are measured at fair value on a recurring basis and classified as Level 1 pursuant to the fair value hierarchy.

Note 5 – Fixed Assets, net

Fixed assets, net at December 31, 2023, consisted of:

Building and building improvements	$ 1,712,067
Furniture and fixtures	66,995
Computer equipment and software	98,402
Leasehold improvements	328,264
	2,205,728
Less accumulated depreciation and amortization	(955,416)
Subtotal	1,250,312
Land	1,140,000
Total	$ 2,390,312

Depreciation and amortization expense for the year ended December 31, 2023, was $68,248.

Note 6 – Line of Credit

As of 2014, JDC secured a variable line of credit from a financial institution up to $1,700,000 at 30-day LIBOR rate plus 2.5% (7.9586% at December 31, 2023). The line of credit is reviewed annually and is due on demand. Under the terms of the line of credit, it is secured by the investments held. As of December 31, 2023, JDC had drawn $0 on this line of credit. Interest expense totaled $480 for the year ended December 31, 2023.

Note 7 – 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 for the year ended December 31, 2023. Maturities for the note payable are as follows:

Years Ending December 31,	
2024	$ 63,153
2025	65,840
2026	68,525
2027	71,321
2028	74,150
Thereafter	643,000
	$ 985,989

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 8 – Deferred Revenue

Deferred revenue related to contract and government grants consisted of the following:

Deferred revenue, beginning balance	$	288,510
Contract and grant revenues received		1,710,586
Total deferred revenue		1,999,096
Contract and grant revenues recognized		(1,215,716)
Deferred revenue, end of year	$	783,380

Note 9 – Designated Net Assets

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 align with JDC's mission. CROC is maintained as a separate fund, including a separate statement of financial position and net assets, which are reserves arising from CROC's activities.

The CROC designated net assets at December 31, 2023, were as follows:

CROC Revenues	$	1,192,861
CROC Expenses		(1,117,556)
Excess of revenues over expenses		75,305
Designated net asset balance, beginning of year		434,791
CROC designated net assets, end of year	$	510,096

Cy Pres awards, once recognized as revenue, are considered board-designated net assets for the purpose of maintaining an operating reserve. The use of these funds are 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 year ended December 31, 2023.

Board-designated net assets for the purpose of maintaining a reserve to be used for core operations totaled $1,062,191 as of December 31, 2023.

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

CROC designated net assets, end of year	$	510,096
Board designated net assets, end of year		1,062,191
Total designated net assets, end of year	$	1,572,287

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following at December 31, 2023:

Cooperative Restraining Order Clinic	$ 336,172
Legal Services	244,747
Diversity and Education	178,007
Immigration	166,984
Fundraising	50,000
Endowment	1,236,610
Total net assets with donor restrictions	$ 2,212,520

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, 2023, except for the donor-restricted endowment that is held in perpetuity.

Note 11 – Net Assets Released from Donor Restrictions

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

Legal Services	$ 338,949
Diversity and Education	102,500
Immigration	27,500
Cooperative Restraining Order Clinic	25,500
Fundraising	5,000
Total net assets with donor restrictions released	$ 499,449

Note 12 – Endowment

JDC's endowment consists of investments established to support the operations of JDC. The endowment is classified as with donor restriction. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – JDC 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 of funds subjected to CPMIFA is classified as with donor restriction. The corpus represents the fair value of the original gifts 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, the corpus of net assets with donor restrictions endowment funds was $1,200,000. 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 JDC.

In accordance with CPMIFA, JDC 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 JDC 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 JDC; and
(7) The investment policies of JDC.

JDC 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 year ended December 31, 2023, were as follows:

	With donor restrictions
Donor restricted endowments as of December 31, 2022	$ 195,121
Investment income, net	41,489
Contributions	1,000,000
Donor restricted endowments as of December 31, 2023	$ 1,236,610

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 JDC to retain as a fund of perpetual duration. As of December 31, 2023, there were no deficiencies.

Return objectives and risk parameters – JDC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to JDC 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 JDC 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, JDC has adopted a strategy of holding a substantial majority of its endowment assets in mutual funds.

Spending policy and how the investment objectives relate to spending policy – JDC 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 gradually increase the support of a three-year scholarship when the endowment is growing and postpone the award if the endowment value falls. In establishing this policy, JDC considered the long-term expected return on its endowment. Accordingly, over the long term, JDC expects the current spending policy to allow its endowment to grow at least at the rate of inflation. This is consistent with JDC'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

Related-party lease commitments – JDC shares office space with BASF and pays a proportionate share of the lease cost based on square footage utilized. Its share of the lease cost was $267,004, plus building lease operating expense for a total rent and occupancy cost of $308,259 a year.

JDC also has various short-term leases that are renewed annually for its programs such as CROC and legal services. Total rent expense for all leases for the year ended December 31, 2023, was $358,972.

Government grants – JDC has received federal and state grants for specific purposes that are subject to review and audit by the federal or state governments. 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 or state funding agencies.

Note 14 – Profit-Sharing Plan

The Bar Association maintains a defined contribution profit-sharing and 401(k) plan in which eligible JDC employees meeting certain age and service requirements may participate. JDC made profit-sharing contributions to the 401(k) plan of $104,170 for the year ended December 31, 2023.

Note 15 – Related-Party Transactions

Included on the statement of activities are additional contributions provided to JDC from its affiliate, BASF, totaling $100,000. BASF provided certain general and administrative services to JDC. The costs of these services are allocated to JDC based upon the percentage of time spent on JDC matters by certain employees of BASF. The total general and administrative costs allocated to JDC for 2023 were $991,139.

All related-party transactions are settled in cash periodically. JDC's related-party payable was $785,244 as of December 31, 2023.

Note 16 – 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	$ 853,117
Restricted cash	64,320
Pledges receivables, net	354,792
Grants receivables	1,859,043
Other receivables	6,601
Investments	4,836,293
Financial assets, at December 31, 2023	7,974,166
Less those unavailable for non-program related general expenditure within one year, due to:	
Restricted cash	(64,320)
Pledges, grants, and other receivables collectible beyond one year	(60,000)
CROC designated net assets	(510,096)
Board designated net assets	(1,062,191)
Program restricted net assets	(975,910)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(1,226,610)
Financial assets available to meet cash needs for non-program related general expenditures within one year	$ 4,075,039

JDC's policy is to structure its financial assets to be available to cover the following in order of priority: current operations, capital asset, planned future operations, opportunities to enhance JDC's mission, unanticipated expenses, and sudden shortfalls in revenues. Available to JDC is its line of credit as discussed in Note 6 above, which may be used should JDC face shortfalls in liquidity from operations.

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. JDC's financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

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

MOSSADAMS