

THE WATSONVILLE LAW CENTER
(A Nonprofit Public Benefits Corporation)

FINANCIAL STATEMENTS

June 30, 2008

THE WATSONVILLE LAW CENTER
(A Nonprofit Public Benefits Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Watsonville Law Center

I have audited the accompanying statement of financial position of The Watsonville Law Center (a Nonprofit Public Benefits Corporation) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Watsonville Law Center as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Aptos, CA
November 25, 2008

**THE WATSONVILLE LAW CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	
Cash and cash equivalents	\$ 288,779
Accounts receivable	12,244
Grants receivable	256,500
Prepaid expenses	3,062
Restricted cash	291,397
Property and equipment	<u>1,167</u>
	TOTAL ASSETS
	<u><u>\$ 853,148</u></u>
LIABILITIES	
Accounts payable	\$ 5,885
Payroll liabilities	9,769
Accrued vacation	19,439
Unearned revenue	20,712
Pass through third party funds	<u>270,685</u>
	TOTAL LIABILITIES
	<u>326,490</u>
NET ASSETS	
Unrestricted	80,729
Temporarily restricted	<u>445,929</u>
	TOTAL NET ASSETS
	<u>526,658</u>
	TOTAL LIABILITIES AND NET ASSETS
	<u><u>\$ 853,148</u></u>

The notes are an integral part of these financial statements.

**THE WATSONVILLE LAW CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Support			
Foundation grants & contributions	\$ 132,476	\$ 706,000	\$ 838,476
Government grants	47,724	-	47,724
Reimbursed program income	24,466	-	24,466
Fundraising events, net	5,651	-	5,651
Other	9,275	-	9,275
Investment income, net	949	-	949
Net assets released from restrictions:			
Restrictions satisfied by payments	260,071	(260,071)	-
TOTAL REVENUES AND OTHER SUPPORT	480,613	445,929	926,542
Expenses			
Program Services			
Legal services	302,669	-	302,669
Supporting Services			
Management and general	64,967	-	64,967
Fundraising	36,054	-	36,054
TOTAL EXPENSES	403,691	-	403,691
CHANGE IN NET ASSETS	76,922	445,929	522,851
NET ASSETS, beginning of year	3,807	-	3,807
NET ASSETS, end of year	\$ 80,729	\$ 445,929	\$ 526,658

The notes are an integral part of these financial statements.

THE WATSONVILLE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Compensation and related expenses				
Compensation	\$ 166,501	\$ 35,305	\$ 28,536	\$ 230,342
Employee benefits	15,850	3,364	2,770	21,984
Payroll taxes	13,435	2,860	2,311	18,606
	<u>195,786</u>	<u>41,528</u>	<u>33,617</u>	<u>270,932</u>
Accounting	-	2,044	-	2,044
Bank charges	-	53	-	53
Books, subscriptions & memberships	7,990	-	-	7,990
Contract services - website development	-	6,180	-	6,180
Conference and meetings	418	417	-	835
Depreciation	234	58	-	292
Equipment, maintenance & repairs	8,555	951	-	9,506
Fundraising	-	-	1,753	1,753
Insurance	-	-	-	-
Property and casualty/directors	-	5,725	-	5,725
Worker's compensation	1,265	281	211	1,757
Office expenses & supplies	5,227	1,307	-	6,534
Occupancy				
Rent	11,741	2,935	-	14,676
Utilities	1,473	368	-	1,841
Postage & printing	2,224	83	473	2,780
Professional fees	53,725	-	-	53,725
Supplies	3,828	957	-	4,785
Telephone	3,083	771	-	3,854
Training	2,491	623	-	3,114
Travel	2,389	126	-	2,515
Volunteer stipends	2,240	560	-	2,800
Total expenses, year ended June 30, 2008	<u>\$ 302,669</u>	<u>\$ 64,967</u>	<u>\$ 36,054</u>	<u>\$ 403,691</u>
Percent of total expenses	<u>75.0%</u>	<u>16.1%</u>	<u>8.9%</u>	<u>100.0%</u>

The notes are an integral part of these financial statements.

**THE WATSONVILLE LAW CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	522,851
Adjustments to reconcile increase (decrease) in net assets to to net cash provided by (used in) operating activities:	
Depreciation	292
(Increase) decrease in:	
Accounts receivable	(12,244)
Grants receivable	(256,500)
Prepaid expenses	(3,061)
Increase (decrease) in:	
Accounts payable	5,885
Payroll liabilities	9,769
Accrued vacation	19,439
Unearned revenue	20,712
Pass through third party funds	270,685
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>577,828</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,459)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,459)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 576,369
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,807</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>580,176</u></u>
 As presented on the statement of financial position:	
Cash and Cash Equivalents	\$ 288,779
Restricted Cash	<u>291,397</u>
	<u><u>\$ 580,176</u></u>

The notes are an integral part of these financial statements.

THE WATSONVILLE LAW CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Watsonville Law Center (WLC) is a non-for-profit organization established in 2002. Formerly a segment of the Community Bridges, WLC became a stand alone 501 (c)(3) in 2007. The Watsonville Law Center (WLC) provides free legal services to low-income individuals. Serving a predominantly agricultural community, WLC focuses on addressing issues related to worker rights, consumer protection and barriers to employment.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not related directly to the Organization's tax-exempt status purpose is subject to taxation as unrelated business income.

THE WATSONVILLE LAW CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500 are capitalized while expenditures for repairs and maintenance that do not improve or extend the useful lives of respective assets are expensed currently. Property and equipment are carried at cost. Transferred property and equipment is carried at the approximate fair value at the date of transfer. Depreciation is computed using primarily the straight-line method.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted and temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

NOTE 2. CONCENTRATION OF CREDIT RISK

WLC maintains cash balances in two accounts at one bank. The cash accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. The amount in excess of insured limited, as of June 30, 2008 was \$480,086.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable is deemed to be fully collectible by management and is due from the County of Santa Cruz.

THE WATSONVILLE LAW CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 4. GRANTS RECEIVABLE

Grants receivable is deemed to be fully collectible by management and is comprised of the following:

S.H Cowell Foundation	\$ 254,000
CA Consumer Protection Foundation	<u>2,500</u>
	<u>\$ 256,500</u>

NOTE 5. RESTRICTED CASH

WLC is required by the State Bar of California to establish and maintain a client trust bank account. These funds are held on behalf of third parties and except for a small percentage of unearned revenue to be recognized as program income in a future period, the funds are categorized as a liability on the statement of financial position.

NOTE 6. FIXED ASSETS

As of June 30, 2008 fixed assets consist of:

Donated/transferred assets	\$ 4,000
Computers	<u>1,459</u>
	5,459
Less: accumulated depreciation	<u>(4,292)</u>
	<u>\$ 1,167</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2008, activity in the temporarily restricted net assets was as follows:

	Balance 6/30/07	Additions	Satisfied	Balance 6/30/08
CA Wellness Foundation	\$ --	\$ 225,000	\$ 70,918	\$ 154,082
CA Consumer Protection	--	25,000	22,500	2,500
CA Bar Foundation	--	5,000	5,000	--
Monterey Community Fd.	--	4,000	4,000	--
S.H. Cowell Foundation	<u>--</u>	<u>447,000</u>	<u>157,653</u>	<u>289,347</u>
	<u>\$ --</u>	<u>\$ 706,000</u>	<u>\$ 260,071</u>	<u>\$ 445,929</u>