

NATIONAL HEALTH LAW PROGRAM, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

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beach, freeman, lim & cleland, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NATIONAL HEALTH LAW PROGRAM, INC.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of National Health Law Program, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.



El Segundo, California
March 21, 2025

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,071,033	\$ 2,065,384
Investments	21,662,253	20,615,886
Current portion of grants receivable	3,676,569	2,279,995
Accounts receivable	239,653	312,246
Prepaid expenses	<u>142,685</u>	<u>45,575</u>
	<u>26,792,193</u>	<u>25,319,086</u>
Right-of-Use Assets - Operating, net	<u>728,989</u>	<u>834,843</u>
Non-current Assets		
Funds held in trust	105,813	-
Grants receivable, net of current portion	226,500	151,900
Deferred rent asset	8,681	-
Deposits	<u>19,608</u>	<u>17,506</u>
	<u>360,602</u>	<u>169,406</u>
	<u>\$ 27,881,784</u>	<u>\$ 26,323,335</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	\$ 280,366	\$ 742,241
Accrued expenses	440,069	415,982
Current portion of lease liabilities - operating	<u>146,985</u>	<u>148,946</u>
	<u>867,420</u>	<u>1,307,169</u>
Long-term Liabilities		
Funds held in trust	105,813	-
Lease liabilities - operating, net of current portion	<u>625,358</u>	<u>728,550</u>
	<u>731,171</u>	<u>728,550</u>
Total Liabilities	<u>1,598,591</u>	<u>2,035,719</u>
Net Assets		
Without donor restrictions	20,325,943	17,577,246
With donor restrictions	<u>5,957,250</u>	<u>6,710,370</u>
	<u>26,283,193</u>	<u>24,287,616</u>
	<u>\$ 27,881,784</u>	<u>\$ 26,323,335</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2024

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grants	\$ 4,470,340	\$ 5,313,993	\$ 9,784,333
Contributions and gifts	359,111	-	359,111
In-kind contributions	519,745	-	519,745
Service income	1,423,305	-	1,423,305
Investment income	1,542,797	-	1,542,797
Other income	91,550	-	91,550
Net assets released from restriction	6,067,113	(6,067,113)	-
	14,473,961	(753,120)	13,720,841
Expenses			
Program services	9,120,759	-	9,120,759
General and administrative	1,861,392	-	1,861,392
Fundraising	743,113	-	743,113
	11,725,264	-	11,725,264
Change in Net Assets	2,748,697	(753,120)	1,995,577
Net Assets, Beginning of Year	17,577,246	6,710,370	24,287,616
Net Assets, End of Year	\$ 20,325,943	\$ 5,957,250	\$ 26,283,193

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grants	\$ 33,000	\$ 6,912,465	\$ 6,945,465
Contributions and gifts	301,183	-	301,183
In-kind contributions	803,287	-	803,287
Service income	1,669,226	-	1,669,226
Investment income	1,412,522	-	1,412,522
Other income	103,505	-	103,505
Loss on disposal of property and equipment	(4,130)	-	(4,130)
Net assets released from restriction	9,251,702	(9,251,702)	-
	13,570,295	(2,339,237)	11,231,058
Expenses			
Program services	8,853,601	-	8,853,601
General and administrative	1,492,016	-	1,492,016
Fundraising	678,151	-	678,151
	11,023,768	-	11,023,768
Change in Net Assets	2,546,527	(2,339,237)	207,290
Net Assets, Beginning of Year	15,030,719	9,049,607	24,080,326
Net Assets, End of Year	\$ 17,577,246	\$ 6,710,370	\$ 24,287,616

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 5,344,642	\$ 972,309	\$ 554,795	\$ 6,871,746
Fringe benefits	1,285,154	248,440	133,392	1,666,986
Sub-grants	1,148,500	-	-	1,148,500
Consultants	367,174	398,822	13,084	779,080
In-kind contributions	519,745	-	-	519,745
Facility and equipment	139,847	132,632	378	272,857
Travel	62,871	44,025	11,150	118,046
Supplies and materials	64,333	21,653	292	86,278
Licenses and fees	53,859	4,869	24,670	83,398
Meetings and events	38,855	23,538	5,168	67,561
Sub-contractors	47,287	-	-	47,287
Other non-personnel expenses	25,638	4,075	-	29,713
Insurance and other expenses	14,584	7,201	-	21,785
Mailing and production	<u>8,270</u>	<u>3,878</u>	<u>184</u>	<u>12,332</u>
	<u>\$ 9,120,759</u>	<u>\$ 1,861,442</u>	<u>\$ 743,113</u>	<u>\$ 11,725,314</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 4,687,648	\$ 867,362	\$ 524,196	\$ 6,079,206
Fringe benefits	1,121,736	207,557	125,437	1,454,730
Sub-grants	943,243	33,000	-	976,243
Consultants	694,630	240,221	1,044	935,895
In-kind contributions	803,287	-	-	803,287
Facility and equipment	361,761	90,994	71	452,826
Travel	67,091	21,957	5,157	94,205
Supplies and materials	78,807	6,676	321	85,804
Licenses and fees	48,554	1,252	19,739	69,545
Meetings and events	22,981	16,168	2,174	41,323
Insurance and other expenses	14,968	6,051	-	21,019
Mailing and production	<u>8,895</u>	<u>778</u>	<u>12</u>	<u>9,685</u>
	<u>\$ 8,853,601</u>	<u>\$ 1,492,016</u>	<u>\$ 678,151</u>	<u>\$ 11,023,768</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 1,995,577	\$ 207,290
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on disposal of property and equipment	-	4,130
Amortization of right-of-use-assets	105,854	260,413
Non-cash lease expense	34,095	22,126
Net realized and unrealized gains on investments	(590,943)	(568,742)
Contributed stock	(1,789,681)	(1,792,307)
(Increase) decrease in operating assets:		
Proceeds from sales of contributed stock	1,780,679	1,787,405
Grants receivable	(1,471,174)	(53,533)
Accounts receivable	72,593	(119,873)
Prepaid expenses	(97,110)	16,923
Deferred rent asset	(8,681)	10,071
Deposits	(2,102)	10,329
Increase (decrease) in operating liabilities:		
Accounts payable	(461,877)	(167,609)
Accrued expenses	24,089	155,375
Funds held in trust	105,813	-
Deferred revenue	-	(9,569)
Lease liabilities	(139,248)	(282,297)
Net cash used in operating activities	(442,116)	(519,868)
Cash Flows from Investing Activities		
Purchases of investments	(16,427,506)	(16,076,600)
Proceeds from maturity of investments	15,981,084	5,611,745
Net cash used in investing activities	(446,422)	(10,464,855)
Net Decrease in Cash and Cash Equivalents and Restricted Cash		
Cash	(888,538)	(10,984,723)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,065,384	13,050,107
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 1,176,846	\$ 2,065,384

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

SUPPLEMENTARY DISCLOSURES

	<u>2024</u>	<u>2023</u>
Noncash Investing and Financing Activities:		
Right-of-use assets obtained in exchange of operating lease liabilities	<u>\$ -</u>	<u>\$ 566,490</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 - NATURE OF OPERATIONS

National Health Law Program, Inc. (the "Organization") was organized in March 1976 pursuant to the General Nonprofit Corporation Law of California. The Organization is a national public interest law firm, supported primarily through donor contributions and grants, that seeks to improve healthcare for America's working and unemployed poor, minorities, elderly and people with disabilities through concentrated efforts in key health policies such as Medicaid services, essential health benefits, reproductive and behavioral health, child and adolescent health, immigrant health, and disability rights. The Organization provides legal services to community-based organizations, the private bar, providers, and individuals who work to preserve a healthcare safety net for the millions of uninsured or underinsured low-income people.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

In October 2024, the Organization entered into a monitoring fee agreement in connection with a legal settlement. Along with two other parties, the Organization is responsible for overseeing the defendant's compliance with the settlement terms. Under this agreement, the Organization received \$105,813 to be held in an interest-bearing trust account. Principal plus accrued interest earned will be allocated and disbursed to the designated parties in January 2026. As such, the principle and accrued interest are reported as both as an asset and a corresponding liability on the statement of financial position.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,071,033	\$ 2,065,384
Funds held in trust	<u>105,813</u>	<u>-</u>
Total cash and cash equivalents and restricted cash	<u>\$ 1,176,846</u>	<u>\$ 2,065,384</u>

Investments

Investments are stated at fair value based on quoted market prices. Interest and dividends are reported in the statement of activities and are presented less investment expenses, when applicable. Unrealized gains and losses are included in the change in net assets. Realized gains and losses are computed and recognized using the specific identification method.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments may occur in the near term and could materially affect the amounts reported in the financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques which include discounting using Treasury bill rates for similar term investments. In subsequent years, amortization of the discounts are included in contribution revenue in the statement of activities. As of December 31, 2024 and 2023, grants that were to be received in one to five years totaled \$226,500 and \$151,900 respectively, of which the discounts to present value were considered by management to be negligible and therefore the balances were not adjusted. Management has determined that all grants receivable are fully collectible.

Accounts Receivable

Accounts receivable arising from service contracts represent an unconditional right to payment, are unsecured, and the Organization is at risk to the extent such amounts become uncollectible. The allowance for credit losses represents management's estimate of the lifetime credit losses inherent in accounts receivable as of December 31, 2024 and 2023 and is measured on a collective (pool) basis when similar risk characteristics exist. Management estimates the allowance for credit losses using relevant available information, from internal and external sources, relating to past events, current economic conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in customer specific risk characteristics, such as credit worthiness, customer's current financial condition, current aging status, and payment terms. Receivables are written off when management determines the receivable is uncollectible. The amounts the Organization will ultimately realize could differ materially in the near term from the amounts assumed in arriving at the receivables reported in the financial statements.

Management has deemed the allowance to be immaterial; therefore, no allowance for credit losses is considered necessary at December 31, 2024 and 2023.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset (excluding interest), an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value.

During the years ended December 31, 2024 and 2023, management noted no indicators requiring review for impairment and no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's services will continue which could result in impairment of long-lived assets in the future.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Upon expiration of the restriction, 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.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes contribution revenue in accordance with Topic 958 *Not-for-Profit Entities*. As such, the Organization considers specific criteria when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction, and when determining whether a contribution is conditional or unconditional.

Grants

Revenue from cost reimbursable grants is recorded to the extent of expenses incurred applicable to the grant. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or deferred revenue, whichever is applicable.

Contributions and Gifts

All contributions and gifts support are considered available for the general programs of the Organization, unless specifically restricted by the donor. The Organization reports monetary gifts as support with donor restrictions if they are received with donor stipulations that limit their use or are subject to time restrictions. Contributions with donor restrictions that are met in the same reporting period are recorded as contributions without donor restrictions.

Promises to give are recognized as receivable and revenue when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recorded until one or more barriers are substantially overcome and the Organization is entitled to the assets transferred.

The Organization also recognizes revenue in accordance with Topic 606 *Revenue from Contracts with Customers*. As such, revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that is based on the consideration the Organization expects to receive in exchange for transferring those products or services.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Service Income

Service income consists of Service Contracts, Attorney Fees, and Conference Fees.

Service contracts are primarily comprised of professional services under fixed-price and cost-reimbursable contracts. Service contracts are considered a single performance obligation and revenue is recognized over time using an output method or costs incurred to date, because there is an enforceable right to payment and the goods and services do not create an asset with an alternative use. The output method is based on the right to invoice practical expedient, allowing the Organization to recognize revenue in the amount for which it has the right to invoice, which corresponds directly with the value of the entity's performance completed to date.

Attorney fees are for services provided on a contingent basis and are recognized as a single performance obligation upon settlement of the related legal case. The Organization is not able to estimate the variable consideration for current ongoing cases, as the future outcome is highly susceptible to factors outside of the Organization's control. When and if the Organization receives a favorable judgment, revenue is recognized to the extent of attorney fees received from the settlement once amounts are determinable. The Organization reviews and updates estimates of variable consideration at each reporting date until the uncertainty is resolved.

Conference fees are derived from an annual conference held by the Organization. Revenue is recognized on the date the event takes place.

Other Income Revenue

Included in other income is rental income that arises from an operating sublease. Rental income is recognized on a straight-line basis over the term of the lease, in accordance with Topic 842 *Leases*. The difference between rent income recognized and rental payments received, as stipulated in the lease, is reflected as deferred rent asset in the statements of financial position.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization recognizes leases in accordance with Topic 842 *Leases*. As such, the Organization considers specific criteria when determining whether a contract is (or contains) a lease and recognizes right-of-use ("ROU") assets and lease liabilities at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. ROU assets are initially measured at the present value of the lease payments, adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. Lease liabilities are recognized upon lease commencement based on the present value of lease payments over the lease term. For operating leases, the Organization accounts for lease and non-lease components as a single component and accounts for it as a lease. Variable lease costs, if any, are recognized in the period the obligation is incurred based on charges for variable operating costs.

If the rate implicit in the lease cannot be readily determined, the Organization uses the risk-free rate at lease commencement date for operating leases in determining the imputed interest and present value of lease payments. The risk-free rates were determined using a lease-level approach based on the rates investors expect to earn from an investment that carries zero risk over a similar term. The Organization recognizes the single lease cost on a straight-line basis over the remaining lease term for operating leases.

The Organization does not recognize ROU assets or lease liabilities for leases with an initial term of 12 months or less; expenses for these leases are recognized on a straight-line basis over the lease term.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Contributions

In-kind contributions consist of contributed professional legal services, which are recorded at the fair values of the services received, based on estimated billing rates. In-kind contributions are considered without restriction unless specifically restricted by the donor.

For the years ended December 31, 2024 and 2023, in-kind contributions recognized within the statement of activities totaled \$519,745 and \$803,287, respectively. The contributed legal services were used in program services.

Sub-grants

The Organization's sub-grant expenditures that are not subject to future donor-imposed conditions are considered unconditional and recognized in the period when the sub-grant is approved and countersigned. Conditional sub-grants are recognized as grant expense in the period in which the grantee meets the terms of the conditions.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operating expenses directly identified with a functional area are charged to that area. Allocated expenses include compensation and related costs, and employee benefits, which are allocated on a basis of time and effort. Other expenses allocated include occupancy and other operating expenses, which are allocated based on wages and number of employees, respectively.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit corporation that is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes.

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if tax positions were more likely than not to be sustained upon examination. Management has evaluated the Organization's tax positions and believes there are no uncertain positions required to be recorded or disclosed for the years ended December 31, 2024 and 2023.

By statute, the Organization's federal and state income tax returns generally remain subject to examination by taxing authorities for three and four years, respectively, from the date the return is filed.

Concentrations and Risks

The Organization's cash and cash equivalents and investment balances held at financial institutions generally exceed federally insured limits or exceed amounts insured by Securities Investor Protection Corporation. The Organization has not experienced and does not anticipate any losses relating to these accounts.

As of December 31, 2024, three donors represented approximately 59% of grants receivable. As of December 31, 2023, two of these donors and one other represented approximately 70% of grants receivable.

The Organization received grants from two donors in 2024 that constituted 35% of total grants, and contributions and gifts. Two of those donors and one other represented approximately 57% of total grants, and contributions and gifts received in 2023.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	\$ 1,071,033	\$ 2,065,384
Investments	21,662,253	20,615,886
Current portion of grants receivable	3,676,569	2,279,995
Accounts receivable	239,653	312,246
	26,649,508	25,273,511
Less: Assets unavailable for general expenditures within one year due to:		
Grants receivable (with donor restrictions)	(3,676,569)	(2,279,995)
Total assets available for general expenditures	22,972,939	22,993,516
Add: Assets expected to be released from restriction within one year:		
Grants receivable (with donor restrictions)	3,676,569	2,279,995
Financial assets available to meet cash needs for program and general expenditures	\$ 26,649,508	\$ 25,273,511

As part of the Organization'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. To accomplish this, the Organization invests cash above operating requirements in short-term highly liquid investments.

NOTE 4 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at December 31, 2024 and 2023.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

**Assets at Fair Value as of
December 31, 2024**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalents	\$ 1,186	\$ -	\$ -	\$ 1,186
Exchange traded funds	6,124,708	-	-	6,124,708
Fixed income	<u>-</u>	<u>15,536,359</u>	<u>-</u>	<u>15,536,359</u>
	<u>\$ 6,125,894</u>	<u>\$ 15,536,359</u>	<u>\$ -</u>	<u>\$ 21,662,253</u>

**Assets at Fair Value as of
December 31, 2023**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalents	\$ 136	\$ -	\$ -	\$ 136
Exchange traded funds	4,634,666	-	-	4,634,666
Fixed income	<u>-</u>	<u>15,981,084</u>	<u>-</u>	<u>15,981,084</u>
	<u>\$ 4,634,802</u>	<u>\$ 15,981,084</u>	<u>\$ -</u>	<u>\$ 20,615,886</u>

Investment income consists of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 951,854	\$ 843,780
Net realized and unrealized gains	<u>590,943</u>	<u>568,742</u>
	<u>\$ 1,542,797</u>	<u>\$ 1,412,522</u>

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for program-specific expenditures and future operations. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

Net assets with donor restrictions consist of the following:

	<u>2024</u>	<u>2023</u>
Program restricted	\$ 5,342,250	\$ 5,600,057
Operations - time restricted	<u>615,000</u>	<u>1,110,313</u>
	<u>\$ 5,957,250</u>	<u>\$ 6,710,370</u>

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Organization maintains a defined contribution 403(b) plan, which allows all eligible employees to defer a portion of their eligible pretax earnings up to the annual contribution limit allowed by the Internal Revenue Service. The Organization's matching contributions are discretionary and totaled \$166,229 and \$125,386 for the years ended December 31, 2024 and 2023, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization has a conflict-of-interest policy that requires all board members and officers to sign the policy annually and disclose conflicts of interest, if any. During the years ended December 31, 2024 and 2023, the Organization issued grants to other organizations of which a board member of the Organization is a member of management. Grants issued to those organizations totaled \$143,000 and \$70,000 for the years ended December 31, 2024 and 2023, respectively.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 - LEASES

Operating Leases

The Organization leases three office spaces under non-cancelable lease agreements that expire between June 2025 and February 2029. Payments are due monthly, and the Organization is also obligated to pay their pro rata share of operating expenses, real estate taxes and is subject to periodic rent escalation under the leases. One agreement has a five-year option to renew the lease, which was not considered when assessing the value of the ROU asset because the Organization is not reasonably certain that it will exercise its option to renew the lease.

Operating lease cost was composed of the following for the years ended December 31, 2024 and 2023, respectively:

	2024	2023
Operating lease cost	\$ 189,579	\$ 282,539
Short-term lease cost	-	17,243
Variable lease cost	23,481	68,460
Operating lease expense	213,060	368,242
Sublease income, gross	(40,616)	(70,190)
	\$ 172,444	\$ 298,052

Additional information about the Organization's leases is as follows:

	2024	2023
Cash paid for amounts included in measuring lease liabilities:		
Operating leases	\$ 139,248	\$ 282,297
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 566,490
Weighted average remaining lease term	4.30 years	4.46 years
Weighted average discount rate	4%	4%

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 - LEASES (CONTINUED)

Aggregate future maturities of lease liabilities for each of the remaining years are as follows:

Year Ending December 31,

2025	\$	176,861
2026		217,014
2027		176,840
2028		135,452
2029		138,841
Thereafter		<u>11,689</u>
Total lease payments		856,697
Less: Interest		<u>(84,354)</u>
Present value of lease liabilities		772,343
Current portion		<u>(146,985)</u>
Noncurrent portion	\$	<u>625,358</u>

Sublease

The Organization had a sublease agreement for a portion of its leased office space, which expired in May 2024. In June 2024, the Organization entered into a new sublease agreement with the same party through July 2030.

Future minimum rental payments to be received for the noncancelable sublease for each of the remaining years is as follows:

Year Ending December 31,

2025	\$	21,173
2026		34,655
2027		35,521
2028		36,410
2029		37,321
Thereafter		<u>3,142</u>
	\$	<u>168,222</u>

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 12, 2025, the date at which the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to March 12, 2025, that would have a material impact on its financial statements.