



Certified Public Accountants, LLP

LAW FOUNDATION OF SILICON VALLEY



SINGLE AUDIT REPORTS

JUNE 30, 2017

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Law Foundation of Silicon Valley

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Law Foundation of Silicon Valley ("Law Foundation"), which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Law Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Law Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Law Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Law Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***
continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

San Francisco, California
October 25, 2017

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance**

To the Board of Directors
Law Foundation of Silicon Valley

Report on Compliance for Each Major Federal Program

We have audited Law Foundation of Silicon Valley's ("Law Foundation") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Law Foundation's major federal programs for the year ended June 30, 2017. Law Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Law Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Law Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Law Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Law Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance**
continued

Report on Internal Control Over Compliance

Management of Law Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Law Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Law Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance**
continued

Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Law Foundation as of and for the year ended June 30, 2017, and have issued our report thereon dated October 25, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

San Francisco, California
October 25, 2017

LAW FOUNDATION OF SILICON VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2017

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA No.	Contract Term	Program Award	Program Expenditure	Pass-through to Sub-recipients
Federal Awards						
U.S. Department of Health and Human Services ("DHHS"):						
Ryan White/Title I Client Advocacy	4300012840	93.914	7/1/2016-6/30/2017	\$ 115,000	\$ 86,040	\$ -
Sub-total HIV Emergency Relief Project Grants, direct				115,000	86,040	-
Pass-through, Superior Court of California, County of Santa Clara:						
Substance Abuse and Mental Health Services Projects of Regional and National Significance	C2201658	93.243	10/1/2015-9/30/2016	147,402	94,810	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	C2201658	93.243	10/1/2016-3/31/2018	163,515	100,960	-
Sub-total pass-through, Superior Court of California				310,917	195,770	-
Total DHHS				425,917	281,810	-
U.S. Department of Housing and Urban Development ("HUD"):						
Pass-through, City of San Jose: CDBG - Fair Housing Investigation & Enforcement Community Development Block Grant	CADM-16-001	14.218	7/1/2016-6/30/2017	390,450	390,450	190,450
Sub-total pass-through, City of San Jose				390,450	390,450	190,450
Pass-through, County of Santa Clara: CDBG County	FH-17-01	14.218	7/1/2016-6/30/2017	50,194	50,194	37,793
Pass-through, County of Santa Clara: CDBG County	PS-17-08	14.218	7/1/2016-6/30/2017	31,277	31,277	23,550
Sub-total pass-through, County of Santa Clara				81,471	81,471	61,343
Pass-through, City of Sunnyvale: CDBG Community Development Block Grant	1617-235110	14.218	7/1/2016-6/30/2017	20,000	20,000	10,000
Sub-total pass-through, City of Sunnyvale				20,000	20,000	10,000
Pass-through, Project Sentinel FHIP: Private Enforcement Initiative		14.418	1/1/2015-12/31/2017	277,692	238,846	-
Sub-total pass-through, Project Sentinel				277,692	238,846	-
Education and Outreach Initiatives	FH400G14029	14.416	1/1/2015-12/31/2017	125,000	124,419	52,000
Sub-total Education and Outreach Initiatives, direct				125,000	124,419	52,000
Total HUD				894,613	855,186	313,793
U.S. Department of Justice ("DOJ"):						
Pass-through, CalOES - Legal Assistance (XL) Program	XL16011099	16.575	7/1/2016-6/30/2017	345,531	159,888	-
Pass-through, CalOES - Increase Access to Services (KU) Program	KU16011099	16.575	4/1/2017-8/31/2018	120,000	2,489	-
Sub-total pass-through, CalOES				465,531	162,377	-
Pass-through, Next Door Solutions to Domestic Violence: Legal Assistance for Victims	2013-WL-AX-0012	16.524	10/1/2013-9/30/2016	130,009	130,009	-
Sub-total pass-through, County of Santa Clara				130,009	130,009	-
Total DOJ				595,540	292,386	-
Total Federal Awards				\$ 1,916,070	\$ 1,429,382	\$ 313,793

LAW FOUNDATION OF SILICON VALLEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal award activity of Law Foundation of Silicon Valley (“Law Foundation”), under the programs of the federal government for the year ended June 30, 2017. The Schedule is presented in accordance with requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit requirements for Federal Award* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Law Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Law Foundation.

2. **Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. Law Foundation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. **Other Information**

Law Foundation did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2017.

LAW FOUNDATION OF SILICON VALLEY
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
<u>Identification of Major Programs:</u>	
U.S. Department of Housing and Urban Development:	
Community Development Block Grant	14.218

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Awards Findings and Questioned Costs

No matters reported.

Section IV – Prior Year Findings

No matters reported.



Certified Public Accountants, LLP

LAW FOUNDATION OF SILICON VALLEY

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Law Foundation of Silicon Valley

Report on the Financial Statements

We have audited the accompanying financial statements of Law Foundation of Silicon Valley (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Law Foundation of Silicon Valley as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Law Foundation of Silicon Valley's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of Law Foundation of Silicon Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Law Foundation of Silicon Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Law Foundation of Silicon Valley's internal control over financial reporting and compliance.

Harrington Group

San Francisco, California

October 25, 2017

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,489,177	\$ 1,691,512
Cash held in trust	230,541	282,019
Accounts receivable	1,563,465	1,299,397
Other receivable	386,522	273,100
Prepaid expenses	143,525	122,951
Deposits	155,989	141,285
Property and equipment (Note 3)	72,073	115,738
	\$ 6,041,292	\$ 3,926,002
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 83,006	\$ 108,520
Accrued liabilities (Note 4)	1,070,046	735,216
Deferred revenue	30,206	1,995
Accrued unemployment liability (Note 5)	61,770	53,895
Note payable (Note 6)	62,739	86,253
Line of credit (Note 7)	-	-
	1,307,767	985,879
NET ASSETS		
Unrestricted (Note 2)	3,235,314	1,789,781
Unrestricted board-designated (Note 2)	457,743	457,768
Temporarily restricted (Note 12)	1,040,468	692,574
	4,733,525	2,940,123
	\$ 6,041,292	\$ 3,926,002

The accompanying notes are an integral part of these financial statements.

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Contributions in-kind (Note 9)	\$ 8,047,569	\$ -	\$ 8,047,569	\$ 7,221,619
Government contracts (Note 11)	5,790,871		5,790,871	5,167,855
Special events	2,074,900	215,017	2,289,917	2,191,333
Grants	113,450	1,724,366	1,837,816	1,349,580
Fee awards	1,021,368		1,021,368	134,430
Contributions	115,709	46,196	161,905	107,188
Wills and gifts		100,000	100,000	-
LACY Wishbank		10,835	10,835	4,665
Cy Pres Award	20,098		20,098	29,676
Miscellaneous	9,329		9,329	9,971
Interest	433		433	326
Released from purpose restrictions	1,748,520	(1,748,520)	-	-
TOTAL REVENUE	<u>18,942,247</u>	<u>347,894</u>	<u>19,290,141</u>	<u>16,216,643</u>
EXPENSES				
Program services	15,915,030		15,915,030	14,183,463
General and administrative	864,873		864,873	791,039
Fundraising	716,836		716,836	737,941
TOTAL EXPENSES	<u>17,496,739</u>	<u>-</u>	<u>17,496,739</u>	<u>15,712,443</u>
CHANGE IN NET ASSETS	1,445,508	347,894	1,793,402	504,200
NET ASSETS, BEGINNING OF YEAR	<u>2,247,549</u>	<u>692,574</u>	<u>2,940,123</u>	<u>2,435,923</u>
NET ASSETS, END OF YEAR	<u>\$ 3,693,057</u>	<u>\$ 1,040,468</u>	<u>\$ 4,733,525</u>	<u>\$ 2,940,123</u>

The accompanying notes are an integral part of these financial statements.

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Program Services					Total Program Services	General and Administrative	Fundraising	Total Expenses	
	Legal Advocates for Children and Youth	Public Interest Law Firm	Mental Health Advocacy Project/HLS	Fair Housing Law Project	Pro Bono				2017	2016
Salaries and wages	\$ 2,853,563	\$ 262,564	\$ 1,436,356	\$ 488,245	\$ 271,178	\$ 5,311,906	\$ 594,246	\$ 268,354	\$ 6,174,506	\$ 5,287,941
Taxes and benefits	502,137	43,143	251,501	91,754	55,986	944,521	62,994	31,642	1,039,157	907,009
Total personnel costs	3,355,700	305,707	1,687,857	579,999	327,164	6,256,427	657,240	299,996	7,213,663	6,194,950
Contributions in-kind (Note 9)	182,063	3,750	75,907	61,970	7,670,273	7,993,963		53,606	8,047,569	7,221,619
Facilities	283,340	40,908	152,914	52,567	19,189	548,918	35,752	18,080	602,750	577,922
Subcontractors/partners	10,000	137,000	61,343	200,450		408,793			408,793	526,336
Special events						-		274,737	274,737	305,560
Professional services	60,492	4,468	61,555	7,900	5,190	139,605	122,816	17,434	279,855	238,270
Miscellaneous	55,057	8,523	33,636	11,366	5,449	114,031	14,267	9,155	137,453	181,734
Materials and supplies	88,924	4,403	36,566	8,734	4,569	143,196	17,954	11,002	172,152	115,116
Purchased services	33,108	2,217	27,575	17,153	4,768	84,821	4,266	1,909	90,996	95,942
Conferences and training	33,114	2,205	23,853	11,230	13,030	83,432	4,295	819	88,546	76,146
Travel	29,166	712	10,171	5,135	791	45,975	1,673	319	47,967	49,574
Insurance	26,970	2,151	12,908	3,765	2,689	48,483	3,875	2,151	54,509	53,249
Depreciation	20,970	2,364	10,895	3,492	1,758	39,479	2,638	1,547	43,664	43,664
Marketing	681	1,440	444	5,273	69	7,907	97	26,081	34,085	32,361
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 4,179,585	\$ 515,848	\$ 2,195,624	\$ 969,034	\$ 8,054,939	\$ 15,915,030	\$ 864,873	\$ 716,836	\$ 17,496,739	
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 5,140,246	\$ 888,940	\$ 1,876,322	\$ 2,268,706	\$ 4,009,249	\$ 14,183,463	\$ 791,039	\$ 737,941		\$ 15,712,443

The accompanying notes are an integral part of these financial statements.

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,793,402	\$ 504,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,664	43,664
Change in allowance for doubtful account	(17,699)	17,699
(Increase) decrease in operating assets:		
Cash held in trust	51,478	96,309
Accounts receivable	(246,368)	(537,439)
Other receivable	(113,422)	60,505
Prepaid expenses	(20,574)	(21,369)
Deposit	(14,704)	(18,055)
Increase (decrease) in operating liabilities:		
Accounts payable	(25,514)	69,305
Accrued liabilities	334,830	(130,598)
Deferred revenue	28,211	(1,505)
Unemployment liability	7,875	(1,215)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 1,821,179	 81,501
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(23,514)	(21,712)
New borrowing on line of credit	-	500,000
Principal payment on line of credit	-	(500,000)
 NET CASH (USED) BY FINANCING ACTIVITIES	 (23,514)	 (21,712)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,797,665	 59,789
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 1,691,512	 1,631,723
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 3,489,177	 \$ 1,691,512
 SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of:	 \$ 6,050	 \$ 19,035

The accompanying notes are an integral part of these financial statements.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

The Law Foundation of Silicon Valley (“Law Foundation”) uses the law as a tool for change to address problems linked to social injustices like poverty, discrimination, and child abuse and neglect. Every day, our attorneys, social workers and advocates craft inventive solutions to the life-changing legal issues facing low-income people in Silicon Valley.

Our mission is to advance the rights of under-represented individuals and families in our diverse community through legal services, strategic advocacy and educational outreach.

Established more than 40 years ago, today the Law Foundation’s 80-plus attorneys, social workers and staff, together with volunteers, serve more than 8,000 individuals and families throughout Silicon Valley each year through five key programs: Mental Health Advocacy Project, Health Legal Services, Legal Advocates for Children and Youth, Fair Housing Law Project, and Public Interest Law Firm.

The legal system is complex and difficult to navigate, even for people with resources. A variety of circumstances, including not speaking English; being disabled or elderly; or living on a limited income, can make it especially difficult to understand. Meanwhile, the explosive growth of Silicon Valley has left some members of our community behind, and many long-time residents are being displaced as the cost of living sky-rockets.

Attorneys in our Mental Health Advocacy Project provide free legal counseling and representation to people with mental health or developmental disabilities. We help these clients live more independent and satisfying lives by enforcing their legal rights and advancing their social and economic well-being. Through our Health Legal Services program, we offer legal counseling and representation to low-income people living with HIV or AIDS and diabetes. Specifically, we address issues related to public and private benefits and insurance, housing and consumer matters, simple estate planning, employment discrimination and more.

Within Legal Advocates for Children and Youth, our attorneys serve as court appointed counsel for children in the juvenile dependency system. We also provide special programs for young victims of sexual assault, current and former foster youth and pregnant and parenting teens.

Attorneys in our Fair Housing Law Project work to eliminate predatory lending and housing discrimination. Finally, within our Public Interest Law Firm, we represent individuals and groups in legal matters that have a broad reach and impact the local community with current focus on Silicon Valley’s affordable housing crisis.

We also offer a wide array of pro bono opportunities to attorneys working in law firms, corporate legal departments and solo practice.

Each of the Law Foundation’s programs target indigent people in the Silicon Valley. In fact, the majority of the people we serve live below 125% of federal poverty guidelines, which stands just under \$25,000 annually for a household of four.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Law Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Unrestricted-Board Designated. These are comprised of resources that the Board of Directors has designated for stabilization of program operations funding and optimal utilization of Law Foundation's unrestricted net assets towards achieving its mission and strategic objectives. For purposes of complying with net asset accounting, these funds are included in unrestricted net assets at June 30, 2017.

Temporarily Restricted. Law Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Law Foundation to expend all of the income (or other economic benefits) derived from the donated assets. Law Foundation has no permanently restricted net assets at June 30, 2017.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Law Foundation has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Accounts Receivable

Law Foundation utilizes the allowance method with respect to its accounts receivable. The allowance represents an estimated amount of accounts receivable deemed potentially to be uncollectible.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Concentration of Credit Risks

Law Foundation places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Law Foundation has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2017 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Law Foundation's receivables consist of earned fees from contract programs granted by governmental agencies.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Law Foundation is required to measure in-kind contributions at fair value. The specific techniques used to measure fair value for this financial statement element is described in the note below that relates to the element.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial 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 fair value in the period received (see Note 10).

Clients' Trust Deposits

Law Foundation holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of Law Foundation because Law Foundation has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of Law Foundation.

Income Taxes

Law Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Law Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Law Foundation's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Law Foundation's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Law Foundation uses square footage to allocate rent expense and full-time equivalents to allocate other indirect costs.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Law Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 25, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Leasehold improvement	\$ 195,840
Equipment and furniture	<u>147,747</u>
	343,587
Less: accumulated depreciation	<u>(271,514)</u>
	<u>\$ 72,073</u>

Depreciation expense for the year ended June 30, 2017 was \$43,664.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

4. Accrued Liabilities

Accrued liabilities at June 30, 2017 consist of the following:

Accrued payroll	\$ 418,736
Accrued vacation	285,159
Client trust account	230,540
Accrued expenses	82,268
Accrued pension liability	44,318
Other accruals	<u>9,025</u>
	<u>\$1,070,046</u>

5. Accrued Unemployment Liability

Law Foundation has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2017, of \$61,770, represents estimated future claims arising from payroll paid to June 30, 2017. Unemployment expense for the year ended June 30, 2017 was \$14,597.

6. Note Payable

Note payable at June 30, 2017 consists of the following:

Note payable to a landlord, monthly payments of \$2,464, including interest at 8%, due October 2019. \$62,739

Maturities for the note payable are as follows:

<u>Year ended June 30,</u>	
2018	\$25,466
2019	27,579
2020	<u>9,694</u>
	<u>\$62,739</u>

Interest expense for the year ended June 30, 2017 was \$6,050.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

7. Line of Credit

Law Foundation has a secured, revolving line of credit with a bank, in the amount of \$1,000,000, with a variable interest rate; current interest rate is 5.25%, due November 21, 2017. There was no outstanding balance on the line of credit as of June 30, 2017.

8. Commitments and Contingencies

Obligations Under Operating Leases

Law Foundation leases real property under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2018	\$ 541,475
2019	555,919
2020	<u>233,978</u>
	<u>\$1,331,372</u>

Rent expense under operating leases for the year ended June 30, 2017 was \$568,939.

Contracts

Law Foundation's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Law Foundation has no provisions for the possible disallowance of program costs on its financial statements.

9. Contributions In-kind

Contributions in-kind for the year ended June 30, 2017 consists of the following:

	<u>Hours</u>	<u>Amount</u>
Donated services		
Attorneys	11,295	\$7,488,533
Paralegals	492	141,383
Social workers	2,040	132,600
Law students	1,734	123,505
Clerical services	932	18,471
Legal assistant	81	12,074
Consulting services	12	<u>2,397</u>
		7,918,963
Donated materials		<u>128,606</u>
		<u>\$8,047,569</u>

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$7,918,963	\$ -	\$7,918,963
Donated materials		128,606		128,606
	<u>\$ -</u>	<u>\$8,047,569</u>	<u>\$ -</u>	<u>\$8,047,569</u>

The fair value of donated services and materials has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

11. Government Contracts

Government contracts for the year ended June 30, 2017 consist of the following:

Judicial Council of California, Juvenile Dependency	\$2,259,653
Santa Clara County, Behavior Health Services Department (“BHSD”)	
Patients’ Rights	799,328
Santa Clara Valley Health and Hospital System, Silicon Valley Medical	
Legal Partnership	517,111
San Jose Community Development Block Grant	390,450
County of Santa Clara, Unaccompanied Minors	221,000
Unmet Civil Legal Services	199,194
Santa Clara County, Behavior Health Services Department (“BHSD”) – PATH	182,408
California Governor's Office of Emergency Services, Victim Legal Assistance (XL)	159,889
County of Santa Clara, Department of Family and Children Services (“DFCS”)	142,175
Superior Court of California, County of Santa Clara - Education Champion Project	126,317
United States District Court, Federal Pro Se	104,769
County of Santa Clara, Ryan White	101,332
County of Santa Clara, Education Rights Project - DFS	100,000
Other	487,245
	<u>\$5,790,871</u>

Law Foundation contracted with the City of San Jose, County of Santa Clara and City of Sunnyvale Community Development Block Grant and County of Santa Clara, Unaccompanied Minors as the lead agency. Total amount of pass-through dollars to subcontracts for the year ended June 30, 2017 was \$271,793.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consist of the following:

LACY Honors event	\$ 199,517
Sunlight Giving	179,615
Silicon Valley Community Foundation	104,881
State Bar Equal Access (EAF)	92,167
May and Stanley Smith Charitable Trust	79,152
The Sobrato Family Foundation	78,750
El Camino Health Care District	62,000
The State Bar of CA - Community Stabilization and Reinvestment Grants	53,978
Equal Justice Works	47,833
State Bar IOLTA	35,372
John and Marcia Goldman Foundation	30,981
40/40 Campaign donation	23,250
Other	<u>52,972</u>
	<u>\$1,040,468</u>

The following table provides further details relating to Law Foundation's temporarily restricted net assets:

Balance, beginning of year	\$ 692,574
Temporarily restricted contributions received	2,096,414
Net assets released from program restrictions	<u>(1,748,520)</u>
Balance, end of year	<u>\$ 1,040,468</u>