

LAW FOUNDATION OF SILICON VALLEY

SINGLE AUDIT REPORTS

JUNE 30, 2018

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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 the Law Foundation of Silicon Valley (the "Law Foundation"), which comprise the Statement of Financial Position as of June 30, 2018, 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 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Law Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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

Oakland, California
October 24, 2018

**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 the Law Foundation of Silicon Valley's (the "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 the Law Foundation's major federal programs for the year ended June 30, 2018. The 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 the 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 the 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 the Law Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

**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 the 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 the 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 the 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 Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Law Foundation as of and for the year ended June 30, 2018, and have issued our report thereon dated October 24, 2018, 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

Oakland, California
October 24, 2018

LAW FOUNDATION OF SILICON VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2018

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Program Expenditures	Pass-through to Sub-recipients
Federal Awards						
U.S. Department of Health and Human Services ("DHHS"):						
Direct:						
HIV Emergency Relief Project Grants	4300014554	93.914	7/1/2017-6/30/2018	\$ 115,000	\$ 83,983	\$ -
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	10/1/2016-3/31/2018	163,515	157,665	
Total DHHS				<u>278,515</u>	<u>241,648</u>	<u>-</u>
U.S. Department of Housing and Urban Development ("HUD"):						
Pass-through, City of San Jose, Fair Housing Investigation and Enforcement: Community Development Block Grants/Entitlement Grants						
	CADM-16-001B	14.218	7/1/2017-6/30/2018	400,000	400,000	193,460
Pass-through, County of Santa Clara:						
Community Development Block Grants/Entitlement Grants	FH-18-01	14.218	7/1/2017-6/30/2018	50,194	49,902	37,467
Community Development Block Grants/Entitlement Grants	PS-18-08	14.218	7/1/2017-6/30/2018	31,465	29,720	21,945
Pass-through, City of Sunnyvale: Community Development Block Grants/Entitlement Grants						
	1718-235110	14.218	7/1/2017-6/30/2018	20,000	20,000	10,000
Pass-through, Project Sentinel FHHP: Private Enforcement Initiative						
	N/A	14.418	1/1/2015-12/31/2017	277,692	277,692	
Sub-total, Community Development Block Grants/Entitlement Grants				<u>779,351</u>	<u>777,314</u>	<u>262,872</u>
Direct:						
Education and Outreach Initiatives	FH400G14029	14.416	1/1/2015-12/31/2017	125,000	125,000	
Total HUD				<u>904,351</u>	<u>902,314</u>	<u>262,872</u>
U.S. Department of Justice ("DOJ"):						
Pass-through, CalOES - Legal Assistance (XL) Program: Crime Victim Assistance						
	XL16011099	16.575	7/1/2016-12/31/2019	483,823	285,741	
Pass-through, CalOES - Increase Access to Services (KU) Program: Crime Victim Assistance						
	KU16011099	16.575	4/1/2017-8/31/2018	120,000	70,015	-
Total DOJ				<u>603,823</u>	<u>355,756</u>	<u>-</u>
Total Federal Awards				<u>\$ 1,786,689</u>	<u>\$ 1,499,718</u>	<u>\$ 262,872</u>

LAW FOUNDATION OF SILICON VALLEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal award activity of the Law Foundation of Silicon Valley (the “Law Foundation”), under the programs of the federal government for the year ended June 30, 2018. 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 Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Law Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the 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. The Law Foundation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. **Sub-recipients**

The Law Foundation provided federal awards to sub-recipients in the amount of \$262,872.

4. **Other Information**

The Law Foundation did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2018.

LAW FOUNDATION OF SILICON VALLEY
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

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
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Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance?	No
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Identification of Major Programs:

U.S. Department of Housing and Urban Development:	
Community Development Block Grants/Entitlement Grants	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.

LAW FOUNDATION OF SILICON VALLEY

FINANCIAL STATEMENTS

JUNE 30, 2018

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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 the Law Foundation of Silicon Valley (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2018, 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 the Law Foundation of Silicon Valley as of June 30, 2018, 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 the Law Foundation of Silicon Valley's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 24, 2018, on our consideration of the 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 the 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 the Law Foundation of Silicon Valley's internal control over financial reporting and compliance.

Harrington Group

Oakland, California

October 24, 2018

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Note 2)	\$ 4,178,140	\$ 3,489,177
Cash held in trust	65,639	230,541
Accounts receivable	2,111,136	1,563,465
Other receivable	578,511	386,522
Prepaid expenses	202,219	143,525
Deposits	174,098	155,989
Property and equipment (Note 3)	34,709	72,073
	\$ 7,344,452	\$ 6,041,292
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 141,164	\$ 83,006
Accrued liabilities (Note 4)	726,026	1,070,046
Deferred revenue	13,125	30,206
Accrued unemployment liability (Note 5)	57,900	61,770
Note payable (Note 6)	37,274	62,739
Line of credit (Note 7)	-	-
	975,489	1,307,767
NET ASSETS		
Unrestricted (Note 2)	4,772,200	3,235,314
Unrestricted - board designated (Note 2)	449,529	457,743
Temporarily restricted (Note 12)	1,147,234	1,040,468
	6,368,963	4,733,525
	\$ 7,344,452	\$ 6,041,292

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, 2018

With comparative totals for the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT				
Government contracts (Note 11)	\$ 6,051,504	\$ -	\$ 6,051,504	\$ 5,790,871
Contributions in-kind (Note 9)	4,091,789		4,091,789	8,047,569
Special events	2,139,113	223,507	2,362,620	2,289,917
Grants	77,500	1,496,794	1,574,294	1,837,816
Fee awards	1,222,217		1,222,217	1,021,368
Contributions	117,653	89,729	207,382	161,905
Cy Pres Award	85,294		85,294	20,098
Miscellaneous	12,305		12,305	9,329
Interest	3,576		3,576	433
LACY Wishbank		2,466	2,466	10,835
Wills and gifts			-	100,000
Net assets released from purpose restrictions	1,705,730	(1,705,730)	-	-
TOTAL REVENUE	<u>15,506,681</u>	<u>106,766</u>	<u>15,613,447</u>	<u>19,290,141</u>
EXPENSES				
Program services	12,006,901		12,006,901	15,915,030
General and administrative	1,103,961		1,103,961	864,873
Fundraising	867,147		867,147	716,836
TOTAL EXPENSES	<u>13,978,009</u>	<u>-</u>	<u>13,978,009</u>	<u>17,496,739</u>
CHANGE IN NET ASSETS	1,528,672	106,766	1,635,438	1,793,402
NET ASSETS, BEGINNING OF YEAR	<u>3,693,057</u>	<u>1,040,468</u>	<u>4,733,525</u>	<u>2,940,123</u>
NET ASSETS, END OF YEAR	<u>\$ 5,221,729</u>	<u>\$ 1,147,234</u>	<u>\$ 6,368,963</u>	<u>\$ 4,733,525</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, 2018

With comparative totals for the year ended June 30, 2017

	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				2018	2017
Salaries and wages	\$ 2,877,437	\$ 143,750	\$ 1,556,222	\$ 673,239	\$ 230,780	\$ 5,481,428	\$ 708,027	\$ 334,657	\$ 6,524,112	\$ 6,174,506
Taxes and benefits	510,510	15,003	243,987	103,436	51,173	924,109	92,876	39,824	1,056,809	1,039,157
Total personnel costs	3,387,947	158,753	1,800,209	776,675	281,953	6,405,537	800,903	374,481	7,580,921	7,213,663
Contributions in-kind (Note 9)	317,125	2,415	122,808	26,705	3,533,382	4,002,435		89,354	4,091,789	8,047,569
Facilities	286,386	17,956	152,904	71,078	22,950	551,274	54,750	15,748	621,772	602,750
Subcontractors/partners	20,000	69,000	62,212	203,461	10,000	364,673			364,673	408,793
Professional services	53,091	2,134	70,722	9,491	4,994	140,432	196,955	4,710	342,097	279,855
Special events						-		304,977	304,977	274,737
Miscellaneous	46,944	6,841	42,768	19,568	5,110	121,231	16,623	19,615	157,469	137,453
Purchased services	41,024	1,058	47,834	20,407	4,874	115,197	7,176	2,811	125,184	90,996
Materials and supplies	52,947	1,629	25,072	13,503	5,565	98,716	13,153	9,341	121,210	172,152
Marketing	24,060	2,020		3,054		29,134		35,564	64,698	34,085
Conferences and training	29,655	3,632	14,904	3,094	1,059	52,344	4,530	5,684	62,558	88,546
Insurance	27,122	1,138	14,559	4,721	2,648	50,188	5,215	2,269	57,672	54,509
Travel	28,566	610	9,909	4,141	8	43,234	1,293	1,098	45,625	47,967
Depreciation	17,323	714	9,579	3,158	1,732	32,506	3,363	1,495	37,364	43,664
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 4,332,190	\$ 267,900	\$ 2,373,480	\$ 1,159,056	\$ 3,874,275	\$ 12,006,901	\$ 1,103,961	\$ 867,147	\$ 13,978,009	
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

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, 2018

With comparative totals for the year ended June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,635,438	\$ 1,793,402
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,364	43,664
Change in allowance for doubtful account	-	(17,699)
(Increase) decrease in operating assets:		
Cash held in trust	164,902	51,478
Accounts receivable	(547,671)	(246,368)
Other receivable	(191,989)	(113,422)
Prepaid expenses	(58,694)	(20,574)
Deposit	(18,109)	(14,704)
Increase (decrease) in operating liabilities:		
Accounts payable	58,158	(25,514)
Accrued liabilities	(344,020)	334,830
Deferred revenue	(17,081)	28,211
Unemployment liability	(3,870)	7,875
NET CASH PROVIDED BY OPERATING ACTIVITIES	714,428	1,821,179
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(25,465)	(23,514)
NET CASH (USED) BY FINANCING ACTIVITIES	(25,465)	(23,514)
NET INCREASE IN CASH AND CASH EQUIVALENTS	688,963	1,797,665
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,489,177	1,691,512
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,178,140	\$ 3,489,177
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of:	\$ 4,099	\$ 6,050

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

The Law Foundation’s mission is to advance the rights of under-represented individuals and families in our diverse community through legal services, strategic advocacy and educational outreach. The Law Foundation focuses on three critical areas of need: housing, children & youth, and health (including mental health) throughout Silicon Valley, predominantly in Santa Clara County. The majority of the Law Foundation’s clients are low-income and the legal services are free of charge.

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 access justice. In addition, the explosive growth of Silicon Valley has left some members of the community behind, and many residents are being displaced as the cost of living continues to rise, further complicating legal matters.

The Law Foundation’s 80-plus attorneys, social workers and staff, together with volunteers, reach more than 15,000 individuals and families throughout Silicon Valley each year. The Law Foundation’s programs are holistic and work together to address complex legal issues, often with the involvement of the social worker team. The direct services work across all the Law Foundation’s program areas informs our system change efforts. This means that when the Law Foundation see similar cases or client experiences, the Law Foundation works to address the root cause of that issue to impact a greater number of people throughout the region.

The Law Foundation’s housing program works to prevent displacement of low-income people and promote equity and justice. The program ensure that all people may freely choose a place to live without regard to their race, color, religion, sex, age, national origin, ancestry, sexual orientation, marital status, source of income, disability, operation of a home daycare or whether they have children in their family.

The Law Foundation’s health program empowers people with mental health and developmental disabilities to live more independent, secure, and satisfying lives through the enforcement of their legal rights and the advancement of their social and economic well-being. The program helps to bring stability to the lives of individuals coping with chronic or life-threatening health conditions by providing comprehensive legal services regarding access to healthcare benefits, fair housing and employment-related issues.

The Law Foundation’s children and youth program advances the legal rights of our youngest clients, including those in foster care, empowering them to lead healthy and productive lives. The Law Foundation listen to, advise, and advocate for disadvantaged children and youth to ensure their voices are heard and their rights are protected.

The Law Foundation also offer a wide array of pro bono opportunities to attorneys working in law firms, corporate legal departments and solo practice to further address the unmet legal needs of the low-income community.

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 the 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 the 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, 2018.

Temporarily Restricted. The 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 restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Law Foundation to expend all of the income (or other economic benefits) derived from the donated assets. The Law Foundation has no permanently restricted net assets at June 30, 2018.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

The 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

The 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

The 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. The Law Foundation has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2018 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 the 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

The Law Foundation is required to measure in-kind contributions at fair value. The specific techniques used to measure fair value for the 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

The 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 the Law Foundation because the 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 the Law Foundation.

Income Taxes

The 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 the Law Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The 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 the 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. The Law Foundation uses square footage to allocate rent expense and full-time equivalents to allocate other indirect costs.

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 the Law Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 24, 2018, 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, 2018 consist of the following:

Leasehold improvement	\$ 195,840
Equipment and furniture	<u>138,125</u>
	333,965
Less: accumulated depreciation	<u>(299,256)</u>
	<u>\$ 34,709</u>

Depreciation expense for the year ended June 30, 2018 was \$37,364.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

4. Accrued Liabilities

Accrued liabilities at June 30, 2018 consist of the following:

Accrued vacation	\$283,329
Accrued payroll	240,599
Accrued expenses	132,210
Client trust account	65,569
Other accruals	<u>4,319</u>
	<u>\$726,026</u>

5. Accrued Unemployment Liability

The Law Foundation has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2018, of \$57,900, represents estimated future claims arising from payroll paid to June 30, 2018. Unemployment expense for the year ended June 30, 2018 was \$3,059.

6. Note Payable

Note payable at June 30, 2018 consists of the following:

Note payable to a landlord, monthly payments of \$2,464, including interest at 8%, due October 2019. \$37,274

Maturities for the note payable are as follows:

<u>Year ended June 30,</u>	
2019	\$27,579
2020	<u>9,695</u>
	<u>\$37,274</u>

Interest expense for the year ended June 30, 2018 was \$4,099.

7. Line of Credit

The 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 20, 2018. There was no outstanding balance on the line of credit as of June 30, 2018.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

8. Commitments and Contingencies

Obligations Under Operating Leases

The 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>	
2019	\$555,919
2020	<u>233,978</u>
	<u>\$789,897</u>

Rent expense under operating leases for the year ended June 30, 2018 was \$587,573.

Contracts

The 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, the 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, 2018 consists of the following:

	<u>Hours</u>	<u>Amount</u>
Donated services		
Attorneys	6,227	\$3,487,933
Law students	2,023	134,707
Social workers	1,344	87,360
Clerical services	612	57,845
Paralegals	170	52,178
Legal assistant	55	<u>9,412</u>
		3,829,435
Donated materials		<u>262,354</u>
		<u>\$4,091,789</u>

In-kind contributions were lower in 2018 compared to 2017. Variations generally represent fluctuations in pro bono hours, which occurred this year because: 1) The Law Foundation had significant impact litigation cases with pro bono co-counsel reach favorable settlements over the past two years; and 2) The Law Foundation no longer manages the federal District Court's self-represented litigants' assistance program.

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	\$ -	\$3,829,435	\$ -	\$3,829,435
Donated materials		262,354		262,354
	<u>\$ -</u>	<u>\$4,091,789</u>	<u>\$ -</u>	<u>\$4,091,789</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, 2018 consist of the following:

Judicial Council of California, Juvenile Dependency	\$1,638,323
Santa Clara County, Behavior Health Services Department (“BHSD”) Patients’ Rights	1,077,814
Santa Clara Valley Health and Hospital System, Silicon Valley Medical Legal Partnership	565,661
County of Santa Clara, Juvenile Dependency	475,000
San Jose Community Development Block Grant	400,000
County of Santa Clara, Unaccompanied Minors - SIJS 3	226,500
County of Santa Clara, Unaccompanied Minors - SIJS 1	221,000
Unmet Civil Legal Services	198,249
Santa Clara County, Behavior Health Services Department (“BHSD”) – PATH	187,880
County of Santa Clara, Department of Family and Children Services (“DFCS”)	146,440
California Governor's Office of Emergency Services, Victim Legal Assistance (XL)	125,852
County of Santa Clara, Education Rights Project - Probation	103,109
County of Santa Clara, Education Rights Project - DFS	100,000
Other	585,676
	<u>\$6,051,504</u>

The 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, 2018 was \$282,872.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consist of the following:

Fair Housing Law Project	\$ 559,338
Legal Advocates for Children & Youth	297,835
Mental Health Advocacy Project	178,601
Pro Bono Program	49,452
Administration	30,074
Other	<u>31,934</u>
	<u>\$1,147,234</u>

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

Balance, beginning of year	\$ 1,040,468
Temporarily restricted contributions received	1,812,496
Net assets released from program restrictions	<u>(1,705,730)</u>
Balance, end of year	<u>\$ 1,147,234</u>

13. Employee Benefit Plan

The Law Foundation has a deferred compensation plan available to all employees who have completed three months, one thousand hours of service, and are eighteen years of age. Employees may contribute any percent of annual compensation provided it does not exceed maximum amounts as permitted by law. The Law Foundation made matching contributions equal to 1% of eligible compensation. Employer contributions under this plan for the year ended June 30, 2018 were \$48,651.