



LAW FOUNDATION OF SILICON VALLEY



SINGLE AUDIT REPORTS

JUNE 30, 2019

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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 (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, 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 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Law Foundation of Silicon Valley'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 of Silicon Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Law Foundation of Silicon Valley'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 of Silicon Valley'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 23, 2019



**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 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 of Silicon Valley's major federal programs for the year ended June 30, 2019. The Law Foundation of Silicon Valley'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 of Silicon Valley'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 of Silicon Valley'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 of Silicon Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, the Law Foundation of Silicon Valley 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, 2019.

**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 of Silicon Valley 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 of Silicon Valley'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 of Silicon Valley'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 of Silicon Valley as of and for the year ended June 30, 2019, and have issued our report thereon dated October 23, 2019, 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 23, 2019

LAW FOUNDATION OF SILICON VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

| <u>Federal Grantor Agency/Pass-Through Grantor/Program Title</u> | <u>Contract Number</u> | <u>Federal CFDA Number</u> | <u>Contract Term</u> | <u>Program Award</u> | <u>Program Expenditures</u> | <u>Pass-through to Sub-recipients</u> |
|---|------------------------|----------------------------|----------------------|----------------------|-----------------------------|---------------------------------------|
| Federal Awards | | | | | | |
| U.S. Department of Housing and Urban Development ("HUD"): | | | | | | |
| Pass-through, City of San Jose Housing Department: | | | | | | |
| Community Development Block Grants ("CDBG") - Entitlement Grants Cluster: | | | | | | |
| CDBG - San Jose Housing Rights Consortium | CPS-18-001 | 14.218 | 07/01/18 - 06/30/19 | \$ 500,000 | \$ 450,912 | \$ 163,199 |
| CDBG - San Jose Fair Housing Legal and Education Services Collaborative | CADM-16-001C | 14.218 | 07/01/18 - 06/30/19 | 300,000 | 300,000 | 192,508 |
| Sub-total, CDBG | | | | <u>800,000</u> | <u>750,912</u> | <u>355,707</u> |
| Pass-through, City of San Jose Housing Department: | | | | | | |
| Home Investment Partnerships Program - San Jose Fair Housing Legal and Education Services Collaborative | | | | | | |
| | CADM-16-001C | 14.239 | 07/01/18 - 06/30/19 | 100,000 | 68,117 | |
| Pass-through, Project Sentinel FHIP: | | | | | | |
| Private Enforcement Initiative | | | | | | |
| | N/A | 14.418 | 06/01/18 - 05/31/21 | 60,000 | 7,735 | |
| Total HUD | | | | <u>960,000</u> | <u>826,764</u> | <u>355,707</u> |
| U.S. Department of Justice ("DOJ"): | | | | | | |
| Pass-through, California Governor's Office of Emergency Services ("Cal OES"): | | | | | | |
| Crime Victim Assistance - Victim Legal Assistance (XL) Program | | | | | | |
| | XL16011099 | 16.575 | 07/01/16 - 12/31/19 | 483,823 | 404,556 | |
| Crime Victim Assistance - Increase Access to Services (KU) Program | | | | | | |
| | KU16011099 | 16.575 | 04/01/17 - 08/31/18 | 120,000 | 83,236 | |
| Total DOJ | | | | <u>603,823</u> | <u>487,792</u> | <u>-</u> |
| U.S. Department of Health and Human Services ("DHHS"): | | | | | | |
| Pass-through, County of Santa Clara: | | | | | | |
| HIV Emergency Relief Project Grants | | | | | | |
| | 4300015318 | 93.914 | 07/01/18 - 06/30/19 | 75,000 | 75,000 | |
| Total DHHS | | | | <u>75,000</u> | <u>75,000</u> | <u>-</u> |
| Total Federal Awards | | | | <u>\$ 1,638,823</u> | <u>\$ 1,389,556</u> | <u>\$ 355,707</u> |

See independent auditors' report and notes to Schedule of Expenditures of Federal Awards.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, under the programs of the federal government for the year ended June 30, 2019. The Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of the Law Foundation of Silicon Valley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Law Foundation of Silicon Valley.

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 of Silicon Valley has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. **Pass-through to Sub-recipients**

The Law Foundation of Silicon Valley provided federal awards to sub-recipients in the amount of \$355,707.

4. **Other Information**

The Law Foundation of Silicon Valley did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2019.

LAW FOUNDATION OF SILICON VALLEY
Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

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? No

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

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, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 23, 2019, 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 23, 2019

LAW FOUNDATION OF SILICON VALLEY

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

| | 2019 | 2018 |
|--|--------------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 5,338,988 | \$ 4,178,140 |
| Cash held in trust | 140,987 | 65,639 |
| Accounts receivable | 2,296,196 | 2,111,136 |
| Other receivable | 348,215 | 578,511 |
| Prepaid expenses | 92,496 | 202,219 |
| Deposits | 274,427 | 174,098 |
| Property and equipment (Note 4) | 427,158 | 34,709 |
| | TOTAL ASSETS | \$ 7,344,452 |
| | \$ 8,918,467 | \$ 7,344,452 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 258,786 | \$ 141,164 |
| Accrued liabilities (Note 5) | 808,558 | 726,026 |
| Deferred revenue | 13,125 | 13,125 |
| Accrued unemployment liability (Note 6) | 58,897 | 57,900 |
| Deferred rent and incentive liability | 292,030 | - |
| Note payable | - | 37,274 |
| | TOTAL LIABILITIES | 975,489 |
| | 1,431,396 | 975,489 |
| NET ASSETS | | |
| Without donor restrictions (Note 2) | 4,614,260 | 4,772,200 |
| Without donor restrictions - board designated (Note 2) | 1,307,916 | 449,529 |
| With donor restrictions (Note 11) | 1,564,895 | 1,147,234 |
| | TOTAL NET ASSETS | 6,368,963 |
| | 7,487,071 | 6,368,963 |
| | \$ 8,918,467 | \$ 7,344,452 |

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, 2019

With comparative totals for the year ended June 30, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------------------------|------------------------------------|---------------------|---------------------|
| REVENUE AND SUPPORT | | | | |
| Government contracts (Note 10) | \$ 6,444,000 | \$ - | \$ 6,444,000 | \$ 6,051,504 |
| Contributions in-kind (Note 8) | 1,890,040 | | 1,890,040 | 4,091,789 |
| Special events | 2,292,166 | 287,653 | 2,579,819 | 2,362,620 |
| Grants | 225,000 | 1,066,920 | 1,291,920 | 1,574,294 |
| Fee awards | 714,536 | | 714,536 | 1,222,217 |
| Contributions | 172,689 | 342,372 | 515,061 | 207,382 |
| Cy Pres Award | 4,825 | | 4,825 | 85,294 |
| Miscellaneous | 31,577 | | 31,577 | 12,305 |
| Interest | 16,977 | | 16,977 | 3,576 |
| LACY Wishbank | | 6,840 | 6,840 | 2,466 |
| (Loss) on disposal of assets | (13,506) | | (13,506) | - |
| Net assets released from restrictions (Note 11) | 1,286,124 | (1,286,124) | - | - |
| TOTAL REVENUE AND SUPPORT | <u>13,064,428</u> | <u>417,661</u> | <u>13,482,089</u> | <u>15,613,447</u> |
| EXPENSES | | | | |
| Program services | 10,092,809 | | 10,092,809 | 12,006,901 |
| General and administrative | 1,240,835 | | 1,240,835 | 1,103,961 |
| Fundraising | 1,030,337 | | 1,030,337 | 867,147 |
| TOTAL EXPENSES | <u>12,363,981</u> | <u>-</u> | <u>12,363,981</u> | <u>13,978,009</u> |
| CHANGE IN NET ASSETS | 700,447 | 417,661 | 1,118,108 | 1,635,438 |
| NET ASSETS, BEGINNING OF YEAR | <u>5,221,729</u> | <u>1,147,234</u> | <u>6,368,963</u> | <u>4,733,525</u> |
| NET ASSETS, END OF YEAR | <u>\$ 5,922,176</u> | <u>\$ 1,564,895</u> | <u>\$ 7,487,071</u> | <u>\$ 6,368,963</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, 2019

With comparative totals for the year ended June 30, 2018

| | Program Services | | | | | Total Program Services | General and Administrative | Fundraising | Total Expenses | |
|---------------------------------------|-----------------------|-----------------------------|---------------------|---------------------|---------------------|------------------------------|-------------------------------|---------------------|----------------------|---------------|
| | Children and Youth | Public Interest Law Firm | Health | Housing | Pro Bono | | | | 2019 | 2018 |
| Salaries and wages | \$ 2,950,756 | \$ - | \$ 1,304,073 | \$ 1,124,647 | \$ 124,121 | \$ 5,503,597 | \$ 678,495 | \$ 403,180 | \$ 6,585,272 | \$ 6,524,112 |
| Taxes and benefits | 550,940 | | 216,956 | 195,561 | 12,319 | 975,776 | 77,106 | 51,111 | 1,103,993 | 1,056,809 |
| Total personnel costs | 3,501,696 | | 1,521,029 | 1,320,208 | 136,440 | 6,479,373 | 755,601 | 454,291 | 7,689,265 | 7,580,921 |
| Contributions in-kind (Note 8) | 265,940 | | 101,305 | 77,960 | 1,356,534 | 1,801,739 | 9,100 | 79,201 | 1,890,040 | 4,091,789 |
| Facilities | 338,019 | | 147,559 | 142,305 | 10,590 | 638,473 | 79,865 | 36,527 | 754,865 | 621,772 |
| Professional services | 87,472 | | 74,217 | 51,683 | 4,503 | 217,875 | 254,465 | 37,942 | 510,282 | 342,097 |
| Subcontractors/partners | 10,000 | | | 355,708 | | 365,708 | | | 365,708 | 364,673 |
| Special events | | | | | | | | 259,139 | 259,139 | 304,977 |
| Miscellaneous | 54,042 | | 36,774 | 40,336 | 3,632 | 134,784 | 34,838 | 77,622 | 247,244 | 157,469 |
| Purchased services | 73,241 | | 40,816 | 34,657 | 3,149 | 151,863 | 65,979 | 6,006 | 223,848 | 125,184 |
| Materials and supplies | 54,494 | | 24,687 | 26,821 | 5,170 | 111,172 | 27,442 | 13,179 | 151,793 | 121,210 |
| Conferences and training | 23,273 | | 23,679 | 21,660 | 622 | 69,234 | 1,509 | 7,338 | 78,081 | 62,558 |
| Marketing | 2,883 | | 389 | 352 | 37 | 3,661 | 167 | 54,486 | 58,314 | 64,698 |
| Insurance | 24,367 | | 11,031 | 9,980 | 1,051 | 46,429 | 4,984 | 2,101 | 53,514 | 57,672 |
| Depreciation | 18,465 | | 8,617 | 7,796 | 821 | 35,699 | 3,693 | 1,641 | 41,033 | 37,364 |
| Travel | 24,059 | | 9,902 | 2,784 | 54 | 36,799 | 3,192 | 864 | 40,855 | 45,625 |
| TOTAL 2019 FUNCTIONAL EXPENSES | \$ 4,477,951 | \$ - | \$ 2,000,005 | \$ 2,092,250 | \$ 1,522,603 | \$ 10,092,809 | \$ 1,240,835 | \$ 1,030,337 | \$ 12,363,981 | |
| 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 |

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, 2019

With comparative totals for the year ended June 30, 2018

| | 2019 | 2018 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 1,118,108 | \$ 1,635,438 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 41,033 | 37,364 |
| Loss on disposal of assets | 13,506 | - |
| Debt forgiveness | (19,133) | - |
| (Increase) decrease in operating assets: | | |
| Cash held in trust | (75,348) | 164,902 |
| Accounts receivable | (185,060) | (547,671) |
| Other receivable | 230,296 | (191,989) |
| Prepaid expenses | 109,723 | (58,694) |
| Deposit | (100,329) | (18,109) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 117,622 | 58,158 |
| Accrued liabilities | 82,532 | (344,020) |
| Deferred revenue | - | (17,081) |
| Unemployment liability | 997 | (3,870) |
| Deferred rent and incentive liability | 292,030 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,625,977 | 714,428 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (446,988) | - |
| NET CASH (USED) BY INVESTING ACTIVITIES | (446,988) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on note payable | (18,141) | (25,465) |
| NET CASH (USED) BY FINANCING ACTIVITIES | (18,141) | (25,465) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,160,848 | 688,963 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,178,140 | 3,489,177 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 5,338,988 | \$ 4,178,140 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Operating activities reflects interest paid of: | \$ 1,569 | \$ 4,099 |

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 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.

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. We focus on three areas: housing, children & youth, and health (including mental health) throughout Silicon Valley, predominantly in Santa Clara County. The majority of our clients are low-income and our 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 being a non-native English speaker, having a disability, 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 our community behind, and many residents are being displaced as the cost of living continues to rise, further complicating legal matters.

The Law Foundation of Silicon Valley's 80-plus attorneys, social workers and staff, together with volunteers, serve more than 10,000 individuals and families throughout Silicon Valley each year. Our programs are holistic and work together to address complex legal issues, often with the involvement of our social worker and community worker teams. Our direct services work across all our program areas informs our system change efforts. This means that when we see similar cases or client experiences, we work to address the root cause of that issue to impact a greater number of people throughout our region.

Our housing program works to 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.

Our health program empowers people with physical or mental health 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. Our program helps stabilize 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.

Our 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. We listen to, advise, and advocate for disadvantaged children and youth to ensure their voices are heard and their rights are protected.

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

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.

Net Assets

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

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor- (or certain grantor) restrictions.

Without Donor Restrictions – Board designated. These are comprised of resources that the Board of Directors has established as being designated for stabilization of operations, program funding and optimal utilization of the Law Foundation of Silicon Valley's net assets without donor restrictions towards achieving its mission and strategic objectives. For the purposes of complying with net asset accounting, these funds are included in net assets without donor restrictions at June 30, 2019, with a balance of \$1,307,916.

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

Cash and Cash Equivalents

The Law Foundation of Silicon Valley has defined cash and cash equivalents as cash in banks and certificates of deposits.

Accounts Receivable

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

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 of Silicon Valley 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, 2019 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 of Silicon Valley'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 of Silicon Valley 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 notes below that relate to the element.

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.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 9).

Clients' Trust Deposits

The Law Foundation of Silicon Valley 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 of Silicon Valley because the Law Foundation of Silicon Valley 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 of Silicon Valley.

Income Taxes

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

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.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. The Law Foundation of Silicon Valley's financial statements for year-ended June 30, 2019 are presented in accordance with ASU 2016-14.

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 of Silicon Valley's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 23, 2019, 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. Liquidity and Availability of Resources

The Law Foundation of Silicon Valley receives funding from federal, state, and local government, private foundations, corporate contributions, and individual contributions. These funds predominately fund program expenses and any associated administrative costs central to its annual operations to be available to meet cash needs for general expenditures. The Law Foundation of Silicon Valley manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

The Law Foundation of Silicon Valley has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To maintain liquidity to meet expenses, the entity forecasts its future cash flows and monitors its liquidity and reserves quarterly. During the year ended June 30, 2019 the level of liquidity and reserves was managed within the policy requirements.

The following table reflects the Law Foundation of Silicon Valley's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

| | |
|------------------------------------|---------------------|
| Cash and cash equivalents | \$ 5,338,988 |
| Accounts receivable | 2,296,196 |
| Less: With donor restrictions | <u>(1,564,895)</u> |
| Total financial assets at year-end | <u>\$ 6,070,289</u> |

Financial assets available to meet expenditures over the next 12 months.

| | |
|---|--------------------|
| Total financial assets | \$6,070,289 |
| Less: Accounts payable | (258,786) |
| Accrued liability | <u>(361,091)</u> |
| Assets available to meet expenditures in next 12 months | <u>\$5,450,412</u> |

4. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

| | |
|--------------------------------|-------------------|
| Equipment and furniture | \$ 328,775 |
| Leasehold improvement | <u>256,337</u> |
| | 585,112 |
| Less: accumulated depreciation | <u>(157,954)</u> |
| | <u>\$ 427,158</u> |

Depreciation expense for the year ended June 30, 2019 was \$41,033.

5. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

| | |
|----------------------|------------------|
| Accrued payroll | \$293,127 |
| Accrued vacation | 289,150 |
| Client trust account | 140,987 |
| Accrued expenses | 83,429 |
| Other accruals | <u>1,865</u> |
| | <u>\$808,558</u> |

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

6. **Accrued Unemployment Liability**

The Law Foundation of Silicon Valley has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2019, of \$58,897, represents estimated future claims arising from payroll paid to June 30, 2019. Unemployment expense for the year ended June 30, 2019 was \$1,296.

7. **Commitments and Contingencies**

Obligations Under Operating Leases

The Law Foundation of Silicon Valley 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 ending June 30,</u> | |
|-----------------------------|--------------------|
| 2020 | \$ - |
| 2021 | 357,931 |
| 2022 | 872,700 |
| 2023 | 898,880 |
| 2024 | 925,848 |
| Thereafter | <u>6,450,286</u> |
| | <u>\$9,505,645</u> |

Rent expense under operating leases for the year ended June 30, 2019 was \$626,713.

Contracts

The Law Foundation of Silicon Valley'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 of Silicon Valley has no provisions for the possible disallowance of program costs on its financial statements.

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

8. Contributions In-kind

Contributions in-kind for the year ended June 30, 2019 consists of the following:

| | <u>Hours</u> | <u>Amount</u> |
|-------------------|--------------|--------------------|
| Donated services | | |
| Attorneys | 1,617 | \$1,325,268 |
| Law students | 1,945 | 126,393 |
| Social workers | 1,440 | 93,600 |
| Clerical services | 577 | 9,160 |
| Paralegals | 166 | 27,653 |
| Legal assistant | 58 | <u>6,765</u> |
| | | 1,588,839 |
| Donated materials | | <u>301,201</u> |
| | | <u>\$1,890,040</u> |

Contributions In-kind were lower in 2019 compared to 2018. Variations generally represent fluctuations in pro bono hours, which occurred this year because: 1) the Law Foundation of Silicon Valley was involved with fewer impact litigation cases so there were fewer opportunities for pro bono co-counsel assistance and 2) the number of pro bono legal clinic opportunities and resulting referrals were reduced this year due to the disruption caused by the organization's office relocation.

9. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------|-------------------|--------------------|-------------------|--------------------|
| Donated services | \$ - | \$1,588,839 | \$ - | \$1,588,839 |
| Donated materials | <u> </u> | <u>301,201</u> | <u> </u> | <u>301,201</u> |
| | <u>\$ -</u> | <u>\$1,890,040</u> | <u>\$ -</u> | <u>\$1,890,040</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).

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

10. Government Contracts

Government contracts for the year ended June 30, 2019 consist of the following:

| | |
|--|--------------------|
| Judicial Council of California, Juvenile Dependency | \$1,503,270 |
| Santa Clara County, Behavior Health Services Department (“BHSD”) Patients’ Rights | 1,181,491 |
| San Jose Community Development Block Grant | 819,029 |
| Santa Clara Valley Health and Hospital System, Silicon Valley Medical Legal Partnership | 556,887 |
| County of Santa Clara, Juvenile Dependency | 475,000 |
| Office of Supportive Housing | 272,665 |
| County of Santa Clara, Unaccompanied Minors - SIJS 3 | 226,500 |
| County of Santa Clara, Unaccompanied Minors - SIJS 1 | 221,000 |
| Santa Clara County, Behavior Health Services Department (“BHSD”) – PATH | 193,516 |
| Unmet Civil Legal Services | 162,989 |
| County of Santa Clara, Department of Family and Children Services (“DFCS”) | 150,883 |
| California Governor's Office of Emergency Services, Victim Legal Assistance (XL) | 118,815 |
| County of Santa Clara, Education Rights Project - Probation | 99,782 |
| County of Santa Clara, Education Rights Project - DFCS | 93,906 |
| Other | <u>368,267</u> |
| | <u>\$6,444,000</u> |

The Law Foundation of Silicon Valley 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, 2019 was \$355,707.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following:

| | |
|--------------------|--------------------|
| Housing | \$ 371,036 |
| Development | 351,553 |
| Children and Youth | 307,613 |
| Administration | 264,812 |
| Health | 258,228 |
| Pro Bono | <u>11,653</u> |
| | <u>\$1,564,895</u> |

continued

LAW FOUNDATION OF SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

11. Net Assets With Donor Restrictions, continued

The following table provides further details relating to the Law Foundation of Silicon Valley's net assets with donor restrictions:

| | |
|---|---------------------|
| Balance, beginning of year | \$ 1,147,234 |
| With donor restricted contributions received | 1,703,785 |
| Net assets with donor restrictions released from program restrictions | <u>(1,286,124)</u> |
| Balance, end of year | <u>\$ 1,564,895</u> |

12. Employee Benefit Plan

The Law Foundation of Silicon Valley 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 of Silicon Valley made matching contributions equal to 1.5% of eligible compensation. Employer contributions under this plan for the year ended June 30, 2019 were \$69,075.