

LACBA COUNSEL FOR JUSTICE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

LACBA COUNSEL FOR JUSTICE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LACBA Counsel for Justice

We have audited the accompanying financial statements of LACBA Counsel for Justice (Counsel for Justice), which comprise the statement of financial position as of December 31, 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.

Auditor's 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. 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 auditor's 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 Counsel for Justice as of December 31, 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.

Report on Summarized Comparative Information

We have previously audited Counsel for Justice's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

March 28, 2019
Los Angeles, California

LACBA COUNSEL FOR JUSTICE

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With Summarized Totals at December 31, 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash	\$ 373,977	\$ 184,061
Investments	2,058,388	2,415,778
Accounts Receivable	41,301	12,391
Due from Related Party	-	91,486
Pledges Receivable (Net)	67,895	1,170
Prepaid Expenses	10,735	6,223
Property and Equipment (Net)	<u>7,949</u>	<u>16,904</u>
<i>TOTAL ASSETS</i>	<u>\$ 2,560,245</u>	<u>\$ 2,728,013</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 67,805	\$ 61,880
Funds Held on Behalf of Others	156,444	158,255
Due to Los Angeles County Bar Association	<u>119,000</u>	<u>-</u>
<i>TOTAL LIABILITIES</i>	343,249	220,135
NET ASSETS:		
Without Donor Restrictions	1,128,079	1,168,735
With Donor Restrictions	<u>1,088,917</u>	<u>1,339,143</u>
<i>TOTAL NET ASSETS</i>	<u>2,216,996</u>	<u>2,507,878</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 2,560,245</u>	<u>\$ 2,728,013</u>

The Accompanying Notes are an Integral Part of These Financial Statements

LACBA COUNSEL FOR JUSTICE

STATEMENT OF ACTIVITIES Year Ended December 31, 2018 With Summarized Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUE AND SUPPORT:				
Contributions and Dues	\$ 187,608	\$ 275,298	\$ 462,906	\$ 361,305
Cy Pres Awards	27,667	-	27,667	818,417
Grants:				
Los Angeles County	-	-	-	35,487
City of Santa Monica	-	-	-	26,973
State Bar Legal Services Trust Fund Program	51,340	-	51,340	55,730
AIDS Legal Services Project	25,000	-	25,000	3,046
California Department of Social Services	118,000	-	118,000	151,077
Equal Access Fund	84,860	-	84,860	86,851
Special Event Income (Net of Direct Expenses of \$161,996)	229,039	-	229,039	141,488
Consultation Fees	169,912	-	169,912	225,358
Meeting Receipts	15,860	-	15,860	16,790
Investment Income (Loss) (Net)	(47,002)	(41,482)	(88,484)	222,321
Contributed Legal Services	2,293,500	-	2,293,500	2,752,460
Forgiveness of Debt from Los Angeles County Bar Association	-	-	-	4,514,688
Net Assets Released from Restrictions	484,042	(484,042)	-	-
TOTAL REVENUE AND SUPPORT	3,639,826	(250,226)	3,389,600	9,411,991
EXPENSES:				
Program Services	3,382,725	-	3,382,725	3,688,647
Management and General	236,347	-	236,347	1,173,653
Fundraising	61,410	-	61,410	161,683
TOTAL EXPENSES	3,680,482	-	3,680,482	5,023,983
CHANGE IN NET ASSETS	(40,656)	(250,226)	(290,882)	4,388,008
Net Assets - Beginning of Year	1,168,735	1,339,143	2,507,878	(1,880,130)
NET ASSETS - END OF YEAR	\$ 1,128,079	\$ 1,088,917	\$ 2,216,996	\$ 2,507,878

The Accompanying Notes are an Integral Part of These Financial Statements

LACBA COUNSEL FOR JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	Program Services					Support Services				2018 Total	2017 Total
	Immigration Legal Assistance Project	Domestic Violence Legal Services Project	AIDS Legal Services Project	Veterans Legal Services Project	Other	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries	\$ 254,377	\$ 188,830	\$ 85,890	\$ 136,035	\$ 349	\$ 665,481	\$ 47,347	\$ 47,347	\$ 94,694	\$ 760,175	\$ 832,870
Payroll Taxes and Employee Benefits	51,077	43,480	19,610	39,267	-	153,434	14,063	14,063	28,126	181,560	225,069
TOTAL PERSONNEL COSTS	305,454	232,310	105,500	175,302	349	818,915	61,410	61,410	122,820	941,735	1,057,939
Contributed Legal Services	396,450	1,277,530	342,120	277,400	-	2,293,500	-	-	-	2,293,500	2,752,460
LACBA Administrative Fee	10,197	1,711	1,711	-	-	13,619	119,000	-	119,000	132,619	911,859
Office Rent	23,940	-	19,181	29,519	-	72,640	22,853	-	22,853	95,493	73,089
Professional Services	30,997	-	-	49,613	-	80,610	7,100	-	7,100	87,710	79,482
Other Expenses	7,745	3,949	1,852	5,086	2,092	20,724	19,138	-	19,138	39,862	60,512
Insurance	9,702	9,562	8,152	8,043	-	35,459	1,340	-	1,340	36,799	22,621
General Office Expenses	9,941	10,198	2,424	-	-	22,563	6,163	-	6,163	28,726	30,435
Telephone	16,137	3,056	-	5,502	-	24,695	(657)	-	(657)	24,038	35,586
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 810,563</u>	<u>\$ 1,538,316</u>	<u>\$ 480,940</u>	<u>\$ 550,465</u>	<u>\$ 2,441</u>	<u>\$ 3,382,725</u>	<u>\$ 236,347</u>	<u>\$ 61,410</u>	<u>\$ 297,757</u>	<u>\$ 3,680,482</u>	
TOTAL 2017 FUNCTIONAL EXPENSES	<u>\$ 697,071</u>	<u>\$ 1,433,461</u>	<u>\$ 906,094</u>	<u>\$ 544,044</u>	<u>\$ 107,977</u>	<u>\$ 3,688,647</u>	<u>\$ 1,173,653</u>	<u>\$ 161,683</u>	<u>\$ 1,335,336</u>		<u>\$ 5,023,983</u>

The Accompanying Notes are an Integral Part of These Financial Statements

LACBA COUNSEL FOR JUSTICE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (290,882)	\$ 4,388,008
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	120,548	(199,821)
Loss on Disposal of Property and Equipment	-	584
Depreciation	8,955	9,632
Write-off of Uncollectible Pledge	1,175	-
Forgiveness of Debt from Los Angeles County Bar Association	-	(4,514,688)
(Increase) Decrease in:		
Accounts Receivable	(28,910)	10,070
Due from Related Party	91,486	(91,486)
Pledges Receivable	(67,900)	35,747
Prepaid Expenses	(4,512)	(3,363)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	5,925	(5,531)
Funds Held on Behalf of Others	(1,811)	18,595
Due to Los Angeles County Bar Association	119,000	992,529
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 (46,926)	 640,276
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	273,031	-
Reinvested Interest and Dividends	(32,064)	(22,500)
Purchases of Investments	(4,125)	(657,556)
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 236,842	 (680,056)
 NET INCREASE (DECREASE) IN CASH	 189,916	 (39,780)
Cash - Beginning of Year	184,061	223,841
 CASH - END OF YEAR	 \$ 373,977	 \$ 184,061

The Accompanying Notes are an Integral Part of These Financial Statements

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORGANIZATION

The following summarizes the activities of Counsel for Justice and its funding sources:

- **Immigration Legal Assistance Project.** The Immigration Legal Assistance Project is designed to provide legal assistance and advice to individuals concerning their immigration, naturalization and citizenship status. In addition to funds received from the State Bar Legal Services Trust Fund Program which administers and allocates interest accrued on funds deposited in Interest On Legal Trust Accounts (IOLTA) and a grant from the California Department of Social Services, funding is provided through Counsel for Justice's fundraising department, processing fees paid by clients of the Immigration Legal Assistance Project, and meeting fees charged to attorneys for immigration law courses.
- **Domestic Violence Legal Services Project.** The Domestic Violence Legal Services Project is designed to provide legal assistance and advice (from volunteer attorneys, law students and staff) to domestic violence victims and their children, enabling them to obtain Temporary Restraining Orders against their assailants. In addition to funds received from IOLTA, funding is provided through Counsel for Justice's fundraising department, and other grantors.
- **AIDS Legal Services Project.** The AIDS Legal Services Project is designed to provide legal assistance and advice through volunteer attorneys to assist people living with HIV and AIDS on a wide range of civil legal issues including discrimination, immigration, public and private benefits, testamentary and debtor/creditor. Funding is provided by IOLTA, Counsel for Justice's fundraising department, and other grantors.
- **Veterans Legal Services Project.** The Veterans Legal Services Project is designed to provide legal assistance and advice to assist Veterans in removing legal barriers to employment by focusing on three areas: misdemeanor expungements, self-help clearing tickets and warrants, and reinstating their California Driver License. The Veterans Legal Services Project receives funding from Counsel for Justice's fundraising department, and donations from corporations and other community stakeholders that support veterans' successful reintegration into the Los Angeles community after their military service.
- **Attorney-Client Mediation and Arbitration Services (ACMAS).** ACMAS is designed to resolve fee and non-fee disputes between clients and their attorneys without resorting to the court system or formal disciplinary State Bar procedures. Primary services are fee arbitration and mediation. The program also provides services in attorney-attorney fee disputes.
- **CMP Associates.** Counsel for Justice disseminated information about alternative dispute resolution (ADR) to other substantive sections of the bar, LACBA members, the courts and the general public. However, this program was discontinued on July 1, 2017.

Counsel for Justice is principally funded by charitable contributions from members of the Los Angeles County legal community and other individuals, corporations and foundations interested in advancing Counsel for Justice's mission. Counsel for Justice may also receive Cy Pres awards. Cy Pres awards originate from the undistributed residual funds of a settled class action suit. They are given to charitable causes; typically ones whose mission aligns with the issue involved in the original lawsuit. As this is at the discretion of the courts, future contributions cannot be predicted. During the year ended December 31, 2018, Counsel for Justice received Cy Pres awards in the amount of \$27,667.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORGANIZATION (continued)

At the request of Counsel for Justice, LACBA incorporates in the dues statements to its members a solicitation (via a check-off box) for a voluntary contribution (with a suggested amount of \$75 per member) on behalf of Counsel for Justice. The funds collected by LACBA are remitted to Counsel for Justice. Counsel for Justice received \$68,217 of dues-related contributions from LACBA during the year ended December 31, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for a board designated endowment fund (See Note 8).
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions (See Note 9).

(c) CASH

Counsel for Justice maintains its cash in bank deposit accounts and other investment accounts which, at times may exceed federally insured limits. Counsel for Justice has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in a money market fund and equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(e) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of debtor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. As of December 31, 2018, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. Counsel for Justice reports unconditional contributions as support received with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restrictions.

Counsel for Justice evaluated the collectability of pledges receivable at December 31, 2018, and an allowance of \$500 for uncollectible pledges receivable was deemed necessary.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or fair value at the date of donation if donated. Depreciation is provided over the estimated useful lives of the assets on a straight-line method as follows:

Computer Equipment and Software	5 Years
Furniture and Fixtures	5 - 10 Years

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than \$5,000 and the useful life is greater than one year.

(h) LONG-LIVED ASSETS

Counsel for Justice evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses have been recognized during the year ended December 31, 2018.

(i) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are 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. For the year ended December 31, 2018, Counsel for Justice received contributed legal services of \$2,293,500 (See Note 6).

(j) INCOME TAXES

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

(k) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Counsel for Justice'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. Counsel for Justice uses proportional direct costs to allocate indirect costs.

(l) 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 the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 Counsel for Justice's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

(n) RECLASSIFICATION

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

(o) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. Counsel for Justice has implemented the ASU during the year ending December 31, 2018.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For Counsel for Justice, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For Counsel for Justice, the ASU will be effective for the year ended December 31, 2019.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) SUBSEQUENT EVENTS

Counsel for Justice has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 28, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

Counsel for Justice implemented the fair value measurement accounting standard for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about Counsel for Justice's assets that are measured at fair value on a recurring basis at December 31, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	\$ 420,367	\$ 420,367	\$ -	\$ -
Mutual Funds:				
Stocks	871,520	871,520	-	-
Bonds	743,231	743,231	-	-
Stock Securities	23,270	23,270	-	-
TOTAL INVESTMENTS	\$ 2,058,388	\$ 2,058,388	\$ -	\$ -

The fair values of mutual funds, stocks and the money market fund within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Counsel for Justice recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and Level 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and Level 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended December 31, 2018.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2018 are expected to be collected as follows:

Due in Less Than One Year	\$ 35,495
Due in One to Five Years	<u>35,000</u>
<i>GROSS PLEDGES RECEIVABLE</i>	70,495
Less: Present Value Discount	(2,100)
Less: Allowance for Uncollectible Pledges	<u>(500)</u>
<i>PLEDGES RECEIVABLE (NET)</i>	<u>\$ 67,895</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Computer Software	\$ 73,690
Computer Equipment	28,402
Furniture and Fixtures	<u>2,769</u>
<i>TOTAL</i>	104,861
Less: Accumulated Depreciation	<u>(96,912)</u>
<i>PROPERTY AND EQUIPMENT (NET)</i>	<u>\$ 7,949</u>

Depreciation expense was \$8,955 for the year ended December 31, 2018.

NOTE 6 - CONTRIBUTED LEGAL SERVICES

During the year ended December 31, 2018, 6,252 hours of legal time were contributed by various attorneys to Counsel for Justice. In addition, 218 hours were contributed by paralegal professionals. The estimated fair value of these contributed services, using an average rate of approximately \$363 per hour for legal services and a rate of \$100 per hour for paralegal services is as follows:

Domestic Violence Legal Services Project	\$ 1,277,530
AIDS Legal Services Project	342,120
Immigration Legal Assistance Project	396,450
Veterans Legal Services Project	<u>277,400</u>
<i>TOTAL CONTRIBUTED LEGAL SERVICES</i>	<u>\$ 2,293,500</u>

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 - PENSION PLAN

Counsel for Justice sponsors two defined contributions pension plans, the Pension and the 401(k) Plan, which cover all employees. The Pension Plan covers all full-time employees who have attained the age of twenty-one and completed two consecutive years of service (as defined). Counsel for Justice has not matched any portion of the employee contributions to the plan for several years. The participants become 100% vested in their accounts as soon as they become eligible for the Pension Plan. There were no contributions to the Plan for the year ended December 31, 2018.

The 401(k) Plan is available to all employees who have attained the age of eighteen and have completed one year of service (as defined) Counsel for Justice makes discretionary contributions to the 401(k) Plan equal to 3% of the compensation of the participants. The participants become 100% vested in their accounts as soon as they become eligible for the 401(k) Plan. Contributions made to the 401(k) Plan during the year ended December 31, 2018 amounted to \$22,439,

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at December 31, 2018:

Undesignated	\$	949,037
Board Designated General Endowment		153,500
Board Designated Stockel Fund		<u>25,542</u>
TOTAL BOARD DESIGNATED NET ASSETS	\$	<u>1,128,079</u>

Investment income earned on the Stockel fund is used to provide funding for the Harriett Buhai Center for Family Law.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 consist of the following:

Endowment Funds Corpus (See Note 11)	\$	964,981
Investment Earnings on Endowment Funds (See Note 11)		56,041
Domestic Violence		44,909
Time Restricted		<u>22,986</u>
TOTAL ENDOWMENT FUNDS	\$	<u>1,088,917</u>

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of Time Restrictions:	\$	1,170
Satisfaction of Purpose Restrictions:		
Veterans Project		236,484
Domestic Violence Legal Services Project		246,388
		<hr/>
TOTAL	\$	484,042

NOTE 11 - ENDOWMENTS

Based on donor restrictions, Counsel for Justice maintains endowment funds, whereby the principal is retained and the investment income earned is used for current operations. In the accompanying financial statements, the endowment funds have been combined and reported as net assets with donor restrictions.

The following summarizes the components of the endowment funds corpus required to be held in perpetuity at December 31, 2018:

General Endowment	\$	787,246
Memorial and Other Funds		177,735
		<hr/>
TOTAL ENDOWMENT FUNDS	\$	964,981

Counsel for Justice's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to provide a permanent endowment, which is to provide a permanent source of income to Counsel for Justice.

Counsel for Justice's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor-restricted endowment funds absent donor stipulations, and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

Accumulated earnings as well as gains and losses related to endowment assets are classified as with donor restrictions until they are either appropriated by the Board of Directors for use in current operations or in accordance with donor stipulations. The primary long-term financial objective for Counsel for Justice's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management. Counsel for Justice's Board of Directors determines the utilization of the endowment funds each year with reference to specific donor instructions. In accordance with California law, the original corpus (historical cost) of each endowment gift cannot be utilized.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11 - ENDOWMENTS (continued)

The spending policy pertaining to the endowment base is defined as a three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of the prior three fiscal years) of which Counsel for Justice may withdraw 4.7%. Recommendations for spending the amount or any adjustments must be approved by the Board of Directors. Dividends and interest from the endowment investment account should be transferred to Counsel for Justice's check-writing account as needed for administrative or overhead expenses. Any excess dividends and interest should be distributed through the grants process. Contributions to the endowment received during the current fiscal year may be available for distribution through the grants process and may also be used to pay Counsel for Justice's administrative or overhead costs. If the market value of the endowment decreases substantially (10% or more) within a given year, the Board will consider temporarily reducing or suspending the withdrawal of dividends and interest in order to preserve the value.

Endowment Net Asset Composition by Type of Fund At December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ -	\$ 1,021,022	\$ 1,021,022
Board Designated	179,042	-	179,042
<hr/>			
<i>ENDOWMENT NET ASSETS - DECEMBER 31, 2018</i>	<i>\$ 179,042</i>	<i>\$ 1,021,022</i>	<i>\$ 1,200,064</i>

Changes in Endowment Net Assets for the Year Ended December 31, 2018

Endowment Net Assets - January 1, 2018	\$ 179,042	\$ 1,062,504	\$ 1,241,546
Contributions	-	-	-
Investment Loss (Net)	-	(41,482)	(41,482)
Appropriation of Endowment Assets for Expenditure	-	-	-
<hr/>			
<i>ENDOWMENT NET ASSETS - DECEMBER 31, 2018</i>	<i>\$ 179,042</i>	<i>\$ 1,021,022</i>	<i>\$ 1,200,064</i>

NOTE 12 - RELATED PARTY TRANSACTIONS

The sole member of Counsel for Justice is LACBA. Counsel for Justice reimburses LACBA for certain administrative expenses incurred by LACBA on its behalf. Effective January 1, 2018, there was a change in allocation of such administrative expenses to include only incremental costs of providing services to Counsel for Justice.

For the year ended December 31, 2018, these administrative expenses incurred by LACBA on behalf of Counsel for Justice amounted to \$119,000. This amount is included in the Due to Los Angeles County Bar Association liability on the statement of financial position at December 31, 2018.

LACBA COUNSEL FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13 - LIQUIDITY AND AVAILABILITY

Counsel for Justice's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

**FINANCIAL ASSETS AT
DECEMBER 31, 2018:**

Cash	\$ 373,977
Investments	2,058,388
Accounts Receivable	41,301
Pledges Receivable (Net)	<u>67,895</u>

***TOTAL FINANCIAL ASSETS
AT DECEMBER 31, 2018***

2,541,561

Less Amounts Not Available to Be Used
within One Year, Due to:

Donor-Imposed Restrictions:

Funds Held for Perpetual Endowments	(964,981)
Funds Held with Purpose or Time Restrictions	(56,041)
Pledges Restricted by Purpose or Time	(67,895)

Board Designations:

Board Designated Endowment Funds	<u>(179,042)</u>
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***FINANCIAL ASSETS AVAILABLE
TO MEET GENERAL EXPENDITURES
WITHIN ONE YEAR***

\$ 1,273,602

Counsel for Justice regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Counsel for Justice is substantially supported by unrestricted contributions and government grants. As part of Counsel for Justice's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Counsel for Justice's investments are held for operations and endowments and the investment portfolio consists of highly liquid investments.