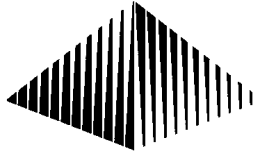


OREGON LAW FOUNDATION
(A Nonprofit Corporation)
FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Law Foundation
Tigard, Oregon

We have audited the accompanying financial statements of Oregon Law Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 Oregon Law Foundation, as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

May 9, 2017

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 98,150	\$ 79,969
Investments	6,338,333	1,766,227
Accrued interest receivable	122,428	93,102
Prepaid expenses	367	-
Other assets	20,000	20,000
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 6,579,278</u>	<u>\$ 1,959,298</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 67,686	\$ 66,704
Due to Oregon State Bar	20,164	41,206
Grants payable	8,978	3,106
	<hr/>	<hr/>
<i>Total Liabilities</i>	96,828	111,016
 Net Assets		
Unrestricted	963,887	953,762
Temporarily restricted	4,947,052	323,009
Permanently restricted	571,511	571,511
	<hr/>	<hr/>
<i>Total Net Assets</i>	6,482,450	1,848,282
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,579,278</u>	<u>\$ 1,959,298</u>

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

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
IOLTA (net of IOLTA service charges of \$1,127 in 2016 and \$4,807 in 2015)	\$ 1,080,391	\$ -	\$ -	\$ 1,080,391
Contributions	5,968	4,789,913	-	4,795,881
Fiscal sponsorship	47,087	-	-	47,087
Unrealized change in market value	40,189	3,866	49,109	93,164
Investment income	13,681	55,036	26,692	95,409
Other income	19,080	-	-	19,080
<i>Total Support and Revenue</i>	1,206,396	4,848,815	75,801	6,131,012
NET ASSETS RELEASED FROM RESTRICTIONS/TRANSFER FROM UNRESTRICTED NET ASSETS				
	300,573	(224,772)	(75,801)	-
	1,506,969	4,624,043	-	6,131,012
EXPENSES				
Grants	1,252,830	-	-	1,252,830
Fiscal sponsorship	47,087	-	-	47,087
Salaries and benefits	121,151	-	-	121,151
Administrative charge	32,108	-	-	32,108
Travel expense	3,681	-	-	3,681
Mailings	-	-	-	-
Telephone	-	-	-	-
Dues, subscriptions and fees	700	-	-	700
Materials and supplies	160	-	-	160
Bank service charges	57	-	-	57
Professional services	29,281	-	-	29,281
Meetings and conferences	8,029	-	-	8,029
Training	45	-	-	45
Equipment	1,715	-	-	1,715
<i>Total Expenses</i>	1,496,844	-	-	1,496,844
CHANGE IN NET ASSETS	10,125	4,624,043	-	4,634,168
NET ASSETS, Beginning of year	953,762	323,009	571,511	1,848,282
NET ASSETS, End of year	\$ 963,887	\$ 4,947,052	\$ 571,511	\$ 6,482,450

<i>2015</i>			
<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
\$ 1,017,891	\$ -	\$ -	\$ 1,017,891
8,373	439,468	-	447,841
49,780	-	-	49,780
(72,707)	-	(35,169)	(107,876)
68,703	-	26,753	95,456
29,784	2,789	-	32,573
<hr/>	<hr/>	<hr/>	<hr/>
1,101,824	442,257	(8,416)	1,535,665
110,832	(119,248)	8,416	-
<hr/>	<hr/>	<hr/>	<hr/>
1,212,656	323,009	-	1,535,665
1,092,532	-	-	1,092,532
49,780	-	-	49,780
144,411	-	-	144,411
30,264	-	-	30,264
1,971	-	-	1,971
281	-	-	281
115	-	-	115
681	-	-	681
1,514	-	-	1,514
35	-	-	35
20,400	-	-	20,400
1,988	-	-	1,988
199	-	-	199
1,000	-	-	1,000
<hr/>	<hr/>	<hr/>	<hr/>
1,345,171	-	-	1,345,171
(132,515)	323,009	-	190,494
1,086,277	-	571,511	1,657,788
<hr/>	<hr/>	<hr/>	<hr/>
\$ 953,762	\$ 323,009	\$ 571,511	\$ 1,848,282

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

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,634,168	\$ 190,494
Adjustments to reconcile net assets to net cash provided by operating activities		
Realized change in market value of investments	8,995	20,366
Unrealized change in market value of investments	(93,421)	(107,876)
Change in:		
Accrued interest receivable	(29,326)	(6,888)
Prepaid expenses	(367)	
Accounts payable	982	66,704
Due to Oregon State Bar	(21,042)	21,687
Grants payable	5,872	(3,805)
	<u>4,505,861</u>	<u>180,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	(9,811,163)	(535,871)
Proceeds from sale of securities	5,713,483	347,019
Withdrawals from investment accounts	(390,000)	-
	<u>(4,487,680)</u>	<u>(188,852)</u>
NET CHANGE IN CASH	18,181	(8,170)
CASH, Beginning of year	<u>79,969</u>	<u>88,139</u>
CASH, End of year	<u>\$ 98,150</u>	<u>\$ 79,969</u>

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

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oregon Law Foundation (the Foundation) was created in 1981 by the Oregon State Bar's Board of Governors as a separate non-profit corporation to serve as a vehicle to accomplish the worthwhile objectives of the legal profession not otherwise served by the Oregon State Bar. The objectives of the Foundation are: (1) to support access to justice in Oregon by obtaining and distributing funds to provide legal services to persons of lesser means; (2) to promote diversity in the legal profession; and (3) to educate the public about the law.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as defined below.

Support and Revenue

Contributions are generally available for unrestricted use, unless specifically restricted by the donor. IOLTA income is recognized as unrestricted support.

For the public's protection, the Oregon Supreme Court requires that all funds of a client which are held by an attorney must be deposited in a trust account separate from the attorney's, and must be kept available for immediate withdrawal. Because most clients' funds which come into the hands of attorneys are relatively small in amount or are to be held for relatively short periods of time, it is not feasible for attorneys to establish a separate account for each client or to invest each client's funds to earn interest. The cost of administering these accounts would be greater than the amount of interest which would be generated. For this reason, client funds had traditionally been held in a common trust checking account on which the depository bank paid no interest.

As an alternative approved by the Oregon Supreme Court, as of May 1, 1989, attorneys are required to deposit clients' common trust funds in NOW (Negotiable Order of Withdrawal) accounts which earn interest. The interest income earned on these accounts is transferred to the Foundation for use in fulfilling its objectives since individual clients and their attorneys have no property interest in the income generated by these common trust accounts. This program approved by the Court is known as IOLTA, which stands for Interest on Lawyer Trust Accounts.

Donor restricted contributions of cash and other assets that limit the use according to donor stipulations are reported as temporarily or permanently restricted support. For temporarily restricted contributions, when the time or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as released from restriction at the time of receipt. When a donor stipulates that the contribution is permanent, the Foundation is limited to spending only the earnings generated by the permanently restricted amount. Such earnings are recorded as unrestricted income.

Cash and Cash Equivalents

The Foundation considers all cash in checking accounts to be cash equivalents.

OREGON LAW FOUNDATION

(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2016 AND 2015

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

The Foundation maintains cash balances and other liquid investments with financial institutions located in Oregon. Cash balances are insured by the Federal Deposit Insurance Corporation up to legal limits. During 2016, the balances in such accounts at times were in excess of FDIC insurance. The Oregon Law Foundation has not experienced any losses from their accounts and does not believe they are exposed to significant risk.

Due From Oregon State Bar

The Oregon State Bar collects member contributions for the Oregon Law Foundation and transfers those funds to the Foundation periodically.

Due To Oregon State Bar

The Oregon Law Foundation reimburses the Oregon State Bar for employee costs and an administrative fee, as per agreement.

Investments

The Foundation carries all investments in debt securities and investments in equity securities with readily determinable fair values at fair value in the statement of financial position. Investment income includes realized and unrealized gains and losses. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value of the asset. Unrealized gains and losses result from changes in the fair value of investments excluding income accruals and asset value impairments. Investment income and losses are shown on the statement of activities as a change in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law.

Administrative Fee

A portion of the Foundation's administration is provided by employees of the Oregon State Bar. Additionally, the Oregon State Bar provides office space, furniture and equipment use to the Foundation. The Oregon State Bar assesses the Foundation an administrative fee for these services, which amounted to \$32,108 and \$30,264 for the years ended December 31, 2016 and 2015, respectively. Such amounts are negotiated on a yearly basis and are approved by the Foundation's Board of Directors.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Accordingly, no provision for income taxes is reflected in these financial statements.

The Foundation follows the provisions Accounting Standards Codification (ASC) Accounting for Uncertainty in Income Taxes 740. ASC 740 prescribes a threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. ASC 740 does not have any significant impact on the Foundation's financial statements. The Foundation's federal and

OREGON LAW FOUNDATION

(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2016 AND 2015

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations. The Foundation would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

Net Assets

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

Unrestricted – Resources over which the Board of Directors (the Board) has discretionary control.

Temporarily Unrestricted - Resources subject to donor imposed restrictions, which will be satisfied by actions of the Agency or passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as released from restriction at the time of receipt.

Permanently Restricted – Resources subject to donor imposed restrictions, to be maintained by the Foundation in perpetuity. The Foundation has permanently restricted net assets as detailed in the footnotes.

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 disclosure of 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.

INVESTMENTS

The Foundation follows Accounting Standards Codification (ASC) 820-10 which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer the liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy within ASC 820-10 distinguishes three levels of inputs that may be utilized when measuring fair value including level 1 inputs (using quoted prices in active markets for identical assets or liabilities), level 2 inputs (using inputs other than level 1 prices such as quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability) and level 3 inputs (unobservable inputs supported by little or no market activity based on our own assumptions used to measure assets and liabilities). A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 31, 2016 AND 2015

INVESTMENTS (Continued)

Investments held by the Foundation at December 31, 2016 are summarized as follows:

	<u>Level 1</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Unrestricted			
Money market	\$ 38,786	\$ 38,786	\$ 38,786
Equities	358,307	358,307	338,863
Fixed income	300,068	300,068	300,049
	<u>697,161</u>	<u>697,161</u>	<u>677,698</u>
Temporarily Restricted			
Money market	500,151	500,151	500,151
Fixed income	3,300,196	3,300,196	3,300,000
Mutual funds	1,049,036	1,049,036	1,039,183
	<u>4,849,383</u>	<u>4,849,383</u>	<u>4,839,334</u>
Restricted			
Money market	1,157	1,157	1,157
Equities	499,033	499,033	264,850
Fixed income	261,507	261,507	271,923
Mutual funds	30,092	30,092	33,581
	<u>791,789</u>	<u>791,789</u>	<u>571,511</u>
Total	<u>\$ 6,338,333</u>	<u>\$ 6,338,333</u>	<u>\$ 6,088,543</u>

Investments held by the Foundation at December 31, 2015 are summarized as follows:

	<u>Level 1</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
Unrestricted			
Money market	\$ 155,157	\$ 155,157	\$ 155,157
Equities	337,831	337,831	355,044
Fixed income	531,987	531,987	533,794
	<u>1,024,975</u>	<u>1,024,975</u>	<u>1,043,995</u>
Restricted			
Money market	771	771	771
Equities	455,060	455,060	266,275
Fixed income	256,884	256,884	271,456
Mutual funds	28,537	28,537	33,009
	<u>741,252</u>	<u>741,252</u>	<u>571,511</u>
Total	<u>\$ 1,766,227</u>	<u>\$ 1,766,227</u>	<u>\$ 1,615,506</u>

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 31, 2016 AND 2015

INVESTMENTS (Continued)

The following schedule summarizes the investment return in the statements of activities:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 22,676	\$ 55,036	\$ 26,692	\$ 104,404
Realized gains (losses)	(8,995)	-	-	(8,995)
Unrealized gains	40,189	3,866	49,109	93,164
	53,870	58,902	75,801	188,573
Recognized as unrestricted	301,141	(225,340)	(75,801)	-
	\$ 355,011	\$ (166,438)	\$ -	\$ 188,573

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 48,337	\$ -	\$ 26,753	\$ 75,090
Realized gains	20,366	-	-	20,366
Unrealized gains	(72,707)	-	(35,169)	(107,876)
	(4,004)	-	(8,416)	(12,420)
Recognized as unrestricted	(8,416)	-	8,416	-
	\$ (12,420)	\$ -	\$ -	\$ (12,420)

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds consisting of contributions received from corporations, foundations and individuals restricted for investment in perpetuity to continue the mission of the Oregon Law Foundation. Income generated by these assets, unless restricted by the donor, can be used to support the operating activities of the Oregon Law Foundation.

The Oregon Law Foundation follows the Uniform Management of Institutional Fund Act (UMIFA), enacted by the state of Oregon and its own governing documents. The Board has interpreted the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Oregon Law Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In the absence of donor restrictions, the net appreciation on a donor restricted endowment fund is spendable under UMIFA.

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED DECEMBER 31, 2016 AND 2015

PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in permanently restricted net assets for the year ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 571,511	\$ 571,511
Investment return:		
Investment income	26,692	26,753
Net appreciation - realized and unrealized	49,109	(35,169)
Total investment return	647,312	563,095
Appropriation of expenditures	(75,801)	8,416
Endowment net assets, end of year	<u>\$ 571,511</u>	<u>\$ 571,511</u>

TEMPORARILY RESTRICTED NET ASSETS

During 2016, the Foundation was awarded \$4,789,913 as a result of a class action lawsuit against the Bank of America. These funds, and the earnings on these funds, may only be used to provide services for foreclosure prevention or for community redevelopment. During 2016, earnings on these funds totaled \$58,902 and \$228,423 of these funds were distributed to Legal Aid Services of Oregon to provide services for restricted purposes.

RELATED PARTY TRANSACTIONS

The Foundation conducts business with the Campaign for Equal Justice, a related party organization which also funds organizations that provide legal assistance to low income individuals. The Foundation's president or designee serves on the board of Campaign for Equal Justice. The Foundation's transactions include grant allocations of \$22,500 for both 2016 and 2015, and other expenses of \$1,900 and \$778 for 2016 and 2015, respectively.

FISCAL SPONSORSHIP

The Foundation provides fiscal sponsorship services for the Oregon State Bar for the Oregon State Bar Diversity and Inclusion Department's recruiting and retention program titled Opportunities for Law in Oregon (OLIO), which began in 2013, and Marion County CourtCare for their drop-in child care program, which began in 2015. Under these agreements, the Foundation receives contributions from donors and disburses grants as the Oregon State Bar and Marion County CourtCare direct. During 2016 and 2015, the amount of donor contributions received for the OLIO program totaled \$38,560 and \$49,780, respectively, and the amount of grants awarded totaled \$38,560 and \$49,780, respectively. During 2016, the amount of donor contributions received for the Marion County CourtCare program totaled \$8,527.

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2016 AND 2015

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2017, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.