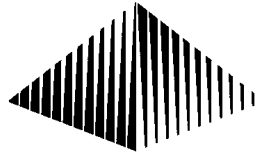


***OREGON LAW FOUNDATION***  
***(A Nonprofit Corporation)***  
***FINANCIAL STATEMENTS***  
***Years Ended December 31, 2017 and 2016***



## 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, 2017 and 2016, 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, 2017 and 2016, 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

August 6, 2018

**OREGON LAW FOUNDATION**  
**(A Nonprofit Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 30,415	\$ 98,150
Investments	5,945,901	6,338,333
Accrued interest receivable	134,248	122,428
Prepaid expenses	-	367
Other assets	20,000	20,000
	<hr/>	<hr/>
<i>Total Assets</i>	\$ 6,130,564	\$ 6,579,278
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 237,757	\$ 67,686
Due to Oregon State Bar	50,893	20,164
Grants payable	1,313	8,978
	<hr/>	<hr/>
<i>Total Liabilities</i>	289,963	96,828
<b>Net Assets</b>		
Unrestricted	809,684	963,887
Temporarily restricted	4,459,406	4,947,052
Permanently restricted	571,511	571,511
	<hr/>	<hr/>
<i>Total Net Assets</i>	5,840,601	6,482,450
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	\$ 6,130,564	\$ 6,579,278
	<hr/> <hr/>	<hr/> <hr/>

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

**OREGON LAW FOUNDATION**  
**(A Nonprofit Corporation)**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>SUPPORT AND REVENUE</b>				
IOLTA (net of IOLTA service charges of \$4,324 in 2017 and \$1,127 in 2016)	\$ 1,152,733	\$ -	\$ -	\$ 1,152,733
Contributions	6,920	10,000	-	16,920
Fiscal sponsorship	138,903	-	-	138,903
Unrealized change in market value	22,077	63,494	(119,498)	(33,927)
Investment income	44,062	109,811	237,612	391,485
Other income	2,515	-	-	2,515
<i>Total Support and Revenue</i>	1,367,210	183,305	118,114	1,668,629
<b>NET ASSETS RELEASED FROM RESTRICTIONS/TRANSFER FROM UNRESTRICTED NET ASSETS</b>				
	789,065	(670,951)	(118,114)	-
	2,156,275	(487,646)	-	1,668,629
<b>EXPENSES</b>				
Grants	1,847,858	-	-	1,847,858
Fiscal sponsorship	142,523	-	-	142,523
Salaries and benefits	175,216	-	-	175,216
Administrative charge	35,094	-	-	35,094
Travel expense	7,824	-	-	7,824
Mailings	122	-	-	122
Telephone	210	-	-	210
Dues, subscriptions and fees	1,345	-	-	1,345
Materials and supplies	822	-	-	822
Bank service charges	77	-	-	77
Professional services	91,305	-	-	91,305
Meetings and conferences	5,822	-	-	5,822
Training	-	-	-	-
Equipment	1,063	-	-	1,063
Miscellaneous	1,197	-	-	1,197
<i>Total Expenses</i>	2,310,478	-	-	2,310,478
<b>CHANGE IN NET ASSETS</b>	(154,203)	(487,646)	-	(641,849)
<b>NET ASSETS, Beginning of year</b>	963,887	4,947,052	571,511	6,482,450
<b>NET ASSETS, End of year</b>	\$ 809,684	\$ 4,459,406	\$ 571,511	\$ 5,840,601

<b>2016</b>			
<b><i>Unrestricted</i></b>	<b><i>Temporarily Restricted</i></b>	<b><i>Permanently Restricted</i></b>	<b><i>Total</i></b>
\$ 1,080,391	\$ -	\$ -	\$ 1,080,391
5,968	4,789,913	-	4,795,881
47,087	-	-	47,087
40,189	3,866	49,109	93,164
13,681	55,036	26,692	95,409
19,080	-	-	19,080
1,206,396	4,848,815	75,801	6,131,012
300,573	(224,772)	(75,801)	-
1,506,969	4,624,043	-	6,131,012
1,252,830	-	-	1,252,830
47,087	-	-	47,087
121,151	-	-	121,151
32,108	-	-	32,108
3,681	-	-	3,681
-	-	-	-
-	-	-	-
700	-	-	700
160	-	-	160
57	-	-	57
29,281	-	-	29,281
8,029	-	-	8,029
45	-	-	45
1,715	-	-	1,715
-	-	-	-
1,496,844	-	-	1,496,844
10,125	4,624,043	-	4,634,168
953,762	323,009	571,511	1,848,282
\$ 963,887	\$ 4,947,052	\$ 571,511	\$ 6,482,450

*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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (641,849)	\$ 4,634,168
Adjustments to reconcile net assets to net cash provided by operating activities		
Realized change in market value of investments	(256,636)	8,995
Unrealized change in market value of investments	(33,927)	(93,421)
Change in:		
Accrued interest receivable	(11,820)	(29,326)
Prepaid expenses	367	(367)
Accounts payable	170,071	982
Due to Oregon State Bar	30,729	(21,042)
Grants payable	(7,665)	5,872
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	(750,730)	4,505,861
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities	(2,164,070)	(9,811,163)
Proceeds from sale of securities	3,583,566	5,713,483
Withdrawals from investment accounts	(736,501)	(390,000)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Investing Activities</i>	682,995	(4,487,680)
<b>NET CHANGE IN CASH</b>	(67,735)	18,181
<b>CASH, Beginning of year</b>	98,150	79,969
	<hr/>	<hr/>
<b>CASH, End of year</b>	\$ 30,415	\$ 98,150
	<hr/> <hr/>	<hr/> <hr/>

*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, 2017 AND 2016**

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**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, 2017 AND 2016

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### **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 2017, 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 \$35,094 and \$32,108 for the years ended December 31, 2017 and 2016, respectively. Such amounts are negotiated on an annual 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, 2017 AND 2016

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### **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, 2017 AND 2016**

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**INVESTMENTS (Continued)**

Investments held by the Foundation at December 31, 2017 are summarized as follows:

	<u>Level 1</u>	<u>Total Carrying Value/ Fair Value</u>	<u>Cost</u>
<b>Unrestricted</b>			
Money market	\$ 18,545	\$ 18,545	\$ 18,544
Equities	255,781	255,781	440,159
Fixed income	153,784	153,784	146,974
	<u>428,110</u>	<u>428,110</u>	<u>605,677</u>
<b>Temporarily Restricted</b>			
Money market	676,744	676,744	676,744
Fixed income	2,991,282	2,991,282	3,000,000
Mutual funds	957,199	957,199	870,961
	<u>4,625,225</u>	<u>4,625,225</u>	<u>4,547,705</u>
<b>Restricted</b>			
Money market	14,767	14,767	14,767
Equities	598,791	598,791	275,116
Fixed income	279,008	279,008	281,628
	<u>892,566</u>	<u>892,566</u>	<u>571,511</u>
<b>Total</b>	<u>\$ 5,945,901</u>	<u>\$ 5,945,901</u>	<u>\$ 5,724,893</u>

**OREGON LAW FOUNDATION**  
**(A Nonprofit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**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>
<b>Unrestricted</b>			
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>
<b>Temporarily Restricted</b>			
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>
<b>Restricted</b>			
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>
<b>Total</b>	<u>\$ 6,338,333</u>	<u>\$ 6,338,333</u>	<u>\$ 6,088,543</u>



**OREGON LAW FOUNDATION**  
**(A Nonprofit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**PERMANENTLY RESTRICTED NET ASSETS (Continued)**

Changes in permanently restricted net assets for the year ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$ 571,511	\$ 571,511
Investment return:		
Investment income	17,189	26,692
Net appreciation - realized and unrealized	<u>100,925</u>	<u>49,109</u>
Total investment return	689,625	647,312
Appropriation of expenditures	<u>(118,114)</u>	<u>(75,801)</u>
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 2017 and 2016, earnings on these funds totaled \$173,305 and \$58,902, respectively, and \$670,951 and \$228,423, respectively, were distributed to various organizations to provide services under this restricted purpose.

**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 2017 and 2016, and other expenses of \$900 and \$1,900 for 2017 and 2016, 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 2017 and 2016, the amount of donor contributions received for the OLIO program totaled \$74,997 and \$38,560, respectively, and the amount of grants awarded totaled \$75,615 and \$38,560, respectively. During 2017 and 2016, the amount of donor contributions received for the Marion County CourtCare program totaled \$63,905 and 8,527, respectively, and the amount of grants awarded totaled \$66,908 and \$0-, respectively.

**OREGON LAW FOUNDATION**  
**(A Nonprofit Corporation)**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
*YEARS ENDED DECEMBER 31, 2017 AND 2016*

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***SUBSEQUENT EVENTS***

Management has evaluated subsequent events through August 6, 2018, 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.