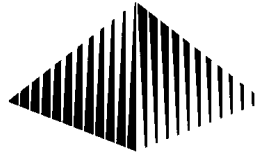


OREGON LAW FOUNDATION
(A Nonprofit Corporation)
FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017



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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in the notes to the financial statements, in 2018, Oregon Law Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.


CERTIFIED PUBLIC ACCOUNTANTS

September 6, 2019

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 243,798	\$ 48,960
Cash and cash equivalents - restricted	52,034	691,511
Investments	4,489,535	5,235,845
Accrued interest receivable	189,397	134,248
Other assets	20,000	20,000
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 4,994,764</u>	<u>\$ 6,130,564</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 233,970	\$ 237,757
Due to Oregon State Bar	33,051	50,893
Grants payable	1,375	1,313
	<hr/>	<hr/>
<i>Total Liabilities</i>	268,396	289,963
 Net Assets		
Net assets without donor restrictions		
Undesignated	194,528	330,074
Board designated	730,451	733,405
Net assets with donor restrictions		
Purpose restrictions	3,260,419	4,205,611
Perpetual restrictions	540,970	571,511
	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>4,726,368</u>	<u>5,840,601</u>
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 4,994,764</u>	<u>\$ 6,130,564</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, 2018 AND 2017

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
IOLTA (net of IOLTA service charges of \$3,216 in 2018 and \$4,324 in 2017)	\$ 1,709,690	\$ -	\$ 1,709,690
Contributions	2,931	-	2,931
Fiscal sponsorship	-	49,123	49,123
Unrealized change in market value	(46,903)	(170,447)	(217,350)
Investment income, (net of administrative fees of \$9,988 in 2018 and \$7,591 in 2017)	31,781	172,068	203,849
Other income	1,562	-	1,562
<i>Total Support and Revenue</i>	1,699,061	50,744	1,749,805
NET ASSETS RELEASED FROM DONOR RESTRICTION	1,026,477	(1,026,477)	-
	2,725,538	(975,733)	1,749,805
EXPENSES			
Granting program	2,742,438	-	2,742,438
Management and General	121,600	-	121,600
<i>Total Expenses</i>	2,864,038	-	2,864,038
CHANGE IN NET ASSETS	(138,500)	(975,733)	(1,114,233)
NET ASSETS, Beginning of year, as originally reported	1,063,479	4,777,122	5,840,601
RESTATEMENT	-	-	-
NET ASSETS, Beginning of year, as restated	1,063,479	4,777,122	5,840,601
NET ASSETS, End of year	\$ 924,979	\$ 3,801,389	\$ 4,726,368

<i>2017</i>		
<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
\$ 1,152,733	\$ -	\$ 1,152,733
6,920	10,000	16,920
-	138,903	138,903
22,077	(56,004)	(33,927)
40,375	343,519	383,894
2,515	-	2,515
<hr/>	<hr/>	<hr/>
1,224,620	436,418	1,661,038
1,107,369	(1,107,369)	-
<hr/>	<hr/>	<hr/>
2,331,989	(670,951)	1,661,038
2,176,814	-	2,176,814
126,073	-	126,073
<hr/>	<hr/>	<hr/>
2,302,887	-	2,302,887
<hr/>	<hr/>	<hr/>
29,102	(670,951)	(641,849)
963,887	5,518,563	6,482,450
70,490	(70,490)	-
<hr/>	<hr/>	<hr/>
1,034,377	5,448,073	6,482,450
<hr/>	<hr/>	<hr/>
\$ 1,063,479	\$ 4,777,122	\$ 5,840,601
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	<i>Granting Program</i>	<i>Management and General</i>	<i>Total</i>
<i>EXPENSES</i>			
Grants	\$ 2,406,356	\$ -	\$ 2,406,356
Fiscal sponsorship	44,640	-	44,640
Salaries and benefits	42,144	121,600	163,744
Administrative charge	33,073	-	33,073
Travel expense	6,308	-	6,308
Mailings	480	-	480
Telephone	280	-	280
Dues, subscriptions and fees	1,317	-	1,317
Materials and supplies	1,325	-	1,325
Bank service charges	53	-	53
Professional services	195,327	-	195,327
Meetings and conferences	7,732	-	7,732
Training	1,675	-	1,675
Equipment	1,100	-	1,100
Miscellaneous	628	-	628
	<hr/>	<hr/>	<hr/>
<i>Total Expenses</i>	\$ 2,742,438	\$ 121,600	\$ 2,864,038
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<i>2017</i>		
	<i>Granting Program</i>	<i>Management and General</i>	<i>Total</i>
<i>EXPENSES</i>			
Grants	\$ 1,847,858	\$ -	\$ 1,847,858
Fiscal sponsorship	142,523	-	142,523
Salaries and benefits	49,143	126,073	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	83,714	-	83,714
Meetings and conferences	5,822	-	5,822
Training	-	-	-
Equipment	1,063	-	1,063
Miscellaneous	1,197	-	1,197
<i>Total Expenses</i>	<u>\$ 2,176,814</u>	<u>\$ 126,073</u>	<u>\$ 2,302,887</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,114,233)	\$ (641,849)
Adjustments to reconcile net assets to net cash provided by operating activities		
Realized gain on investments	(93,818)	(256,636)
Unrealized loss on investments	217,350	33,927
Change in:		
Accrued interest receivable	(55,149)	(11,820)
Prepaid expenses	-	367
Accounts payable	(3,787)	170,071
Due to Oregon State Bar	(17,842)	30,729
Grants payable	62	(7,665)
	<u>(1,067,417)</u>	<u>(682,876)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	(1,026,964)	(2,548,153)
Proceeds from sale of securities	1,649,742	3,333,256
	<u>622,778</u>	<u>785,103</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(444,639)	102,227
CASH AND CASH EQUIVALENTS, Beginning of year	<u>740,471</u>	<u>638,244</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 295,832</u>	<u>\$ 740,471</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, 2018 AND 2017

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.

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, the Foundation's 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 governing board has designated, from net assets without donor restrictions, net assets for a grant reserve and a rainy day reserve.

Net Assets With Donor Restrictions - Net assets subject to donor 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 time and purpose 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.

Support and Revenue

Revenue is generally available for unrestricted use, unless specifically restricted by a donor or grantor. 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.

OREGON LAW FOUNDATION

(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2018 AND 2017

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue (Continued)

Donor restricted contributions of cash and other assets that limit the use according to donor stipulations are reported as donor restricted support. Contributions with time or purpose restrictions are reported in the statement of activities as net assets released from restriction when time or purpose restrictions are met. 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.

Cash and Cash Equivalents - Restricted and Unrestricted

The Foundation considers all cash in checking and money market accounts to be cash equivalents. Restricted cash equivalents consist of money market accounts held in donor restricted investment portfolios.

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 2018, the balances in such accounts at times were in excess of FDIC insurance. The Foundation has not experienced any losses from their accounts and does not believe they are exposed to significant risk.

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 net assets without donor restriction unless their use is restricted by explicit donor-imposed stipulations or by law.

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 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.

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting service of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated based on estimates of the benefit received by the program or supporting service. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the program and supporting services benefited.

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.

LIQUIDITY AND AVAILABILITY

Financial assets are available for general expenses, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position are comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 295,832	\$ 740,471
Investments	4,489,535	5,235,845
Accrued interest receivable	189,397	134,248
	<u>4,974,764</u>	<u>6,110,564</u>
Donor restricted	(3,801,389)	(4,777,122)
Board designated	(730,451)	(733,405)
	<u>\$ 442,924</u>	<u>\$ 600,037</u>

The Foundation has donor restricted endowment funds totaling \$540,970 and \$571,511 at December 31, 2018 and 2017, respectively. Income from donor restricted endowments is available for general use.

The Foundation also reported donor assets with purpose restrictions totaling \$3,260,419 and \$4,205,611 at December 31, 2018 and 2017, of which \$3,255,936 and \$4,205,611, respectively, were restricted for use in foreclosure prevention or for community redevelopment. In addition, \$4,483 restricted for use in Opportunities for Law in Oregon grants was reported at December 31, 2018. Donor restricted endowment funds and net assets with purpose restrictions are not available for general expenditure.

OREGON LAW FOUNDATION**(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2018 AND 2017

LIQUIDITY AND AVAILABILITY (Continued)

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in FDIC insured savings and loan institutions, CDs, money market funds and short-term government securities. The Board endeavors to maintain cash equivalent reserves equaling no less than thirty percent of the annual grant award. This amount was \$366,750 and \$321,750 at December 31, 2018 and 2017, respectively. In addition, the Board has determined revenues in excess of one hundred percent of the grant revenues be set aside for long-term investment in growth and income securities. Total funds designated as a rainy-day reserve were \$363,701 and \$411,655 at December 31, 2018 and 2017, respectively.

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.

Investments held by the Foundation at December 31, 2018 are summarized as follows:

	<i>Level 1</i>	<i>Total Carrying Value/ Fair Value</i>	<i>Cost</i>
<i>Without Donor Restrictions</i>			
Equities	\$ 254,103	\$ 254,103	\$ 260,805
Fixed income	401,728	401,728	398,275
Mutual Funds	36,798	36,798	36,804
	<u>692,629</u>	<u>692,629</u>	<u>695,884</u>
<i>With Donor Restrictions</i>			
Equities	503,000	503,000	465,472
Fixed income	2,870,122	2,870,122	2,900,814
Mutual funds	423,784	423,784	423,707
	<u>3,796,906</u>	<u>3,796,906</u>	<u>3,789,993</u>
<i>Total</i>	<u>\$ 4,489,535</u>	<u>\$ 4,489,535</u>	<u>\$ 4,485,877</u>

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017

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>
Without Donor Restrictions			
Equities	\$ 261,034	\$ 261,034	\$ 224,762
Fixed income	188,480	188,480	181,550
Mutual Funds	9,209	9,209	10,120
	<u>458,723</u>	<u>458,723</u>	<u>416,432</u>
With Donor Restrictions			
Equities	593,538	593,538	490,513
Fixed income	3,235,594	3,235,594	3,247,052
Mutual funds	947,990	947,990	860,841
	<u>4,777,122</u>	<u>4,777,122</u>	<u>4,598,406</u>
Total	<u>\$ 5,235,845</u>	<u>\$ 5,235,845</u>	<u>\$ 5,014,838</u>

OREGON LAW FOUNDATION
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017

INVESTMENTS (Continued)

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

	2018		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Interest and dividends, net of fees	\$ 18,064	\$ 91,967	\$ 110,031
Realized gains	13,717	80,101	93,818
Unrealized losses	(46,903)	(170,447)	(217,350)
	(15,122)	1,621	(13,501)
Recognized as unrestricted	(30,541)	30,541	-
	<u>\$ (45,663)</u>	<u>\$ 32,162</u>	<u>\$ (13,501)</u>
	2017		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Interest and dividends, net of fees	\$ 16,892	\$ 110,366	\$ 127,258
Realized gains	23,483	233,153	256,636
Unrealized gains (losses)	22,077	(56,004)	(33,927)
	62,452	287,515	349,967
Recognized as unrestricted	287,515	(287,515)	-
	<u>\$ 349,967</u>	<u>\$ -</u>	<u>\$ 349,967</u>

DONOR RESTRICTED ENDOWMENT

Donor restricted endowment funds consist 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 retains in perpetuity (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, 2018 AND 2017

DONOR RESTRICTED ENDOWMENT (Continued)

Changes in donor restricted endowments for the year ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 571,511	\$ 571,511
Investment return:		
Investment income	19,307	17,189
Investment expenses	(6,778)	(3,754)
Net appreciation - realized and unrealized	<u>(43,070)</u>	<u>100,925</u>
Total investment return	540,970	685,871
Appropriation of expenditures	-	(114,360)
Endowment net assets, end of year	<u>\$ 540,970</u>	<u>\$ 571,511</u>

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$571,511, fair values of \$540,970, and deficiencies of \$30,541 were reported in net assets with donor restrictions. The deficit has been fully recovered as of September 6, 2019.

OREGON STATE BAR ADMINISTRATIVE SERVICES

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. Such amounts are negotiated on an annual basis and are approved by the Foundation's Board of Directors. Amounts paid by the Foundation for these services were \$33,073 and \$35,094 for the years ended December 31, 2018 and 2017, respectively.

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 2018 and 2017, and other expenses of \$-0- and \$900 for 2018 and 2017, respectively.

OREGON LAW FOUNDATION

(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2018 AND 2017

ASSETS RELEASED FROM RESTRICTION

Settlement Funds

During 2016, the Foundation was awarded \$4,789,913 as a result of a class action lawsuit against the Bank of America. These funds may only be used to provide services for foreclosure prevention or for community redevelopment. During 2018 and 2017, earnings on these funds totaled \$32,163 and \$173,305, respectively, and \$949,675 and \$736,191, respectively, was distributed to various organizations to provide services under this restricted purpose.

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 and ended in 2017. Under these agreements, the Foundation receives revenues and disburses grants as the Oregon State Bar.

During 2018 and 2017, the amounts received for the OLIO program totaled \$49,123 and \$74,997, respectively, and the amount of grants awarded totaled \$44,640 and \$75,615, respectively.

During 2017, the amount of donor contributions received for the Marion County CourtCare program totaled \$63,905, and the amount of grants awarded totaled \$66,908. No services related to this program were provided by the Foundation in 2018.

CHANGE IN ACCOUNTING PRINCIPLE

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

As a result, certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform to presentation in the current-year financial statements. The reclassifications had no impact on previously reported total net assets.

BEGINNING BALANCE RESTATEMENT

Beginning net assets for the year ended December 31, 2017 have been restated to recognize unrestricted earnings originally reported as restricted. Net assets without donor restrictions were increased \$70,490 and net assets with donor restrictions were decreased by \$70,490. Additionally, \$318,304 in net assets were recognized as released from restriction for the year ended December 31, 2017.

OREGON LAW FOUNDATION

(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2018 AND 2017

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2019, 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.