

**HARRIETT BUHAI CENTER FOR FAMILY LAW**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

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**YEAR ENDED JULY 31, 2010  
WITH COMPARATIVE TOTALS FOR 2009**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harriett Buhai Center for Family Law  
Los Angeles, California

We have audited the accompanying statement of financial position of Harriett Buhai Center for Family Law (a nonprofit organization) as of July 31, 2010, and the related statements of activities, changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Harriett Buhai Center for Family Law's July 31, 2009 financial statements and, in our report dated December 11, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harriett Buhai Center for Family Law as of July 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Cooper, Moss, Resnick, Klein & Co. LLP*

Van Nuys, CA  
January 12, 2011

**HARRIETT BUHAI CENTER FOR FAMILY LAW**  
**STATEMENT OF FINANCIAL POSITION**  
**JULY 31, 2010**  
**WITH COMPARATIVE TOTALS FOR 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - operating	\$ 227,549	\$ 92,801
Cash and cash equivalents - non-operating	630,905	466,944
Investments	96,800	92,300
Grants and contracts receivable	77,770	188,367
Pledges receivable	38,799	86,856
Contribution receivable	3,699	100,185
Employee receivable	314	-
Prepaid expenses	<u>23,398</u>	<u>28,161</u>
 TOTAL CURRENT ASSETS	 1,099,234	 1,055,614
 Property and equipment, net	 3,544	 8,270
Pledges receivable, noncurrent	<u>63,424</u>	<u>-</u>
	<u>66,968</u>	<u>8,270</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 1,166,202</u></b>	 <b><u>\$ 1,063,884</u></b>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 10,503	\$ 8,635
Accrued expenses	<u>27,553</u>	<u>34,855</u>
 TOTAL LIABILITIES	 38,056	 43,490
 <b>NET ASSETS</b>		
Unrestricted	1,035,376	928,065
Temporarily restricted	<u>92,770</u>	<u>92,329</u>
 TOTAL NET ASSETS	 <u>1,128,146</u>	 <u>1,020,394</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 1,166,202</u></b>	 <b><u>\$ 1,063,884</u></b>

See auditor's report and accompanying notes to financial statements.

**HARRIETT BUHAI CENTER FOR FAMILY LAW**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2010**  
**WITH COMPARATIVE TOTALS FOR 2009**

	<u>2010</u>			<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT</b>				
Government contracts	\$ 357,579	\$ 246,283	\$ 603,862	\$ 629,002
Special events	481,027	-	481,027	506,169
Foundations - legal	111,009	7,100	118,109	222,139
Individual contributions	89,647	72,823	162,470	45,553
Foundations - other	211,489	-	211,489	44,821
Estate bequeath	2,150	-	2,150	4,964
Client donations	1,035	-	1,035	2,306
Total support	<u>1,253,936</u>	<u>326,206</u>	<u>1,580,142</u>	<u>1,454,954</u>
<b>REVENUE</b>				
Manual sales	31,796	-	31,796	18,342
Loss on disposal of property and equipment	-	-	-	(227)
Investment returns	3,109	-	3,109	2,967
Total revenue	<u>34,905</u>	<u>-</u>	<u>34,905</u>	<u>21,082</u>
<b>DONATED SERVICES</b>	<u>3,367,368</u>	<u>-</u>	<u>3,367,368</u>	<u>3,264,723</u>
<b>TOTAL SUPPORT AND REVENUE</b>	4,656,209	326,206	4,982,415	4,740,759
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Restrictions satisfied by payments	<u>325,765</u>	<u>(325,765)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS</b>	4,981,974	441	4,982,415	4,740,759
<b>EXPENSES</b>				
Program Services				
Family law legal aid	4,498,525	-	4,498,525	4,449,157
Supporting Services				
General administrative and fund-raising	376,138	-	376,138	445,433
Total expenses	<u>4,874,663</u>	<u>-</u>	<u>4,874,663</u>	<u>4,894,590</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 107,311</u>	<u>\$ 441</u>	<u>\$ 107,752</u>	<u>\$ (153,831)</u>

See auditor's report and accompanying notes to financial statements.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JULY 31, 2010  
WITH COMPARATIVE TOTALS FOR 2009**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
NET ASSETS, beginning of year	\$ 928,065	\$ 92,329	<b>\$ 1,020,394</b>	\$ 1,174,225
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>107,311</u>	<u>441</u>	<b><u>107,752</u></b>	<u>(153,831)</u>
NET ASSETS, end of year	<b><u>\$ 1,035,376</u></b>	<b><u>\$ 92,770</u></b>	<b><u>\$ 1,128,146</u></b>	<b><u>\$ 1,020,394</u></b>

See auditor's report and accompanying notes to financial statements.

**HARRIETT BUHAI CENTER FOR FAMILY LAW**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JULY 31, 2010**  
**WITH COMPARATIVE TOTALS FOR 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets:	\$ 107,752	\$ (153,831)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	4,725	5,012
Receipt of donated investments	(67,490)	-
Realized loss on sale of donated investments	3,591	-
Unrealized (gain) loss on investments	(4,500)	5,200
Loss on disposal of property and equipment	-	227
(Increase) decrease in:		
Grants and contracts receivable	110,597	(108,277)
Pledges receivable	(15,367)	3,171
Contribution receivable	96,486	249,815
Employee receivable	(314)	-
Prepaid expenses	4,764	(3,532)
Increase (decrease) in:		
Accounts payable	1,868	(3,874)
Accrued expenses	(7,302)	9,322
	<u>127,058</u>	<u>157,064</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>234,810</u>	<u>3,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(6,053)
Proceeds from sale of donated investments	63,899	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>63,899</u>	<u>(6,053)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	298,709	(2,820)
<b>CASH AND CASH EQUIVALENTS - beginning</b>	<u>559,745</u>	<u>562,565</u>
<b>CASH AND CASH EQUIVALENTS - ending</b>	<u>\$ 858,454</u>	<u>\$ 559,745</u>

See auditor's report and accompanying notes to financial statements.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2010  
WITH COMPARATIVE TOTALS FOR 2009**

	<u>2010</u>					<u>2009</u>
	<u>Supporting Services</u>			Family Legal Aid Program	<u>Total</u>	<u>Total</u>
	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>			
Accounting and audit	\$ 1,721	\$ 1,529	\$ 3,250	\$ 15,028	\$ 18,278	\$ 13,666
Advertising	642	571	1,213	5,607	6,820	-
Copier and computer repairs and maintenance	1,893	1,683	3,576	16,536	20,112	21,492
Depreciation	4,725	-	4,725	-	4,725	5,012
Dues, subscriptions and education	1,054	937	1,991	9,199	11,190	14,454
Insurance	438	389	827	8,981	9,808	14,561
Library	743	661	1,404	6,495	7,899	5,485
Mileage and parking	363	323	686	3,169	3,855	5,612
Miscellaneous	5,630	20,663	26,293	6,057	32,350	22,268
Outside services	2,099	1,868	3,967	20,335	24,302	49,939
Postage	2,130	1,894	4,024	18,600	22,624	21,774
Printing and communications	2,677	4,009	6,686	4,327	11,013	29,776
Rent	15,348	13,644	28,992	134,045	163,037	163,222
Salaries, payroll taxes and employee benefits	94,875	84,330	179,205	828,501	1,007,706	1,079,047
Special events	-	103,314	103,314	-	103,314	109,531
Supplies	1,926	1,710	3,636	16,808	20,444	20,834
Telephone	1,081	961	2,042	9,440	11,482	12,110
Travel	162	145	307	1,419	1,726	3,383
Volunteer program	-	-	-	26,610	26,610	37,701
Total expenses before donated services	137,507	238,631	376,138	1,131,157	1,507,295	1,629,867
Donated services	-	-	-	3,367,368	3,367,368	3,264,723
<b>TOTAL EXPENSES</b>	<u>\$ 137,507</u>	<u>\$ 238,631</u>	<u>\$ 376,138</u>	<u>\$ 4,498,525</u>	<u>\$ 4,874,663</u>	<u>\$ 4,894,590</u>

See auditor's report and accompanying notes to financial statements.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Harriett Buhai Center for Family Law is a nonprofit corporation organized in 1984 pursuant to the General Nonprofit Corporation Laws of the state of California. The Organization provides legal assistance in family law matters to low-income individuals mainly in the Los Angeles area.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Support

The Organization records grant revenues under various government contracts ratably over the period of the award, or as expenses are incurred and subsequently invoiced to the appropriate government entity, depending on the provisions of the grant.

Contributions and support that are restricted by the donor are reported as increases in unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2009

The financial statements include prior year summarized comparative information in total, but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended July 31, 2009, from which the summarized information was derived.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, investments, receivables, and accrued expenses. The carrying value of cash, receivables, and accruals approximates fair value due to the short-term maturities of those instruments. The Organization is required to measure certain investments at fair value in accordance with generally accepted accounting principles (GAAP). The fair values of investments are based on quoted prices in active or inactive markets for those or similar investments.

GAAP provides guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using best information available when there is little or no market

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentration of Credit Risk

The Organization maintains its cash accounts at financial institutions. Cash and cash equivalent accounts are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation for up to \$250,000 and \$500,000, respectively. At July 31, 2010 and 2009, the amount in excess of insured limits is \$107,284 and \$0, respectively.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. The Organization accounts for its equity securities that have readily determinable values by reporting those securities at fair value and realized and unrealized gains and losses are reported in the statement of activities (see Note 5).

Receivables

The Organization receives unconditional promises to provide future cash payments that are recorded as revenues or gains in the period received. The present value of these estimated future cash flows is recorded as pledges receivable. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. When the Organization invoices for services performed under various government contracts, accounts receivable are recorded at net realizable value.

The Organization periodically evaluates the balances in its receivables to determine whether any significant amounts are uncollectible. Management believes that all receivable balances are fully collectible at July 31, 2010 and no allowance for uncollectible amounts is considered necessary.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful life of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives (Years)</u>
Computer equipment	5
Office equipment	5
Telephone equipment	5
Office furniture	5
Software	3
Leasehold improvements	8

Tax Status

The Organization is a non-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code. Therefore, no provision for income taxes is necessary. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Subsequent Events

The Organization has evaluated subsequent events through January 12, 2011, the date on which the financial statements were available to be issued.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**2- FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at July 31, 2010 are as follows:

<u>Fair Value Measurements Using</u>					
<u>Description</u>	<u>Fair Value</u>	<u>In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Gains (Losses)</u>
Preferred stocks	<u>\$ 96,800</u>	<u>\$ -</u>	<u>\$ 96,800</u>	<u>\$ -</u>	<u>\$ 3,109</u>

Investment values were determined using quoted prices in inactive markets for the same or similar assets.

**3- PLEDGES RECEIVABLE**

Pledges receivable consist of the following unconditional promises to give:

	<u>2010</u>	<u>2009</u>
General fund-raising event	\$ 39,400	\$ 77,295
Restricted to future periods	<u>70,000</u>	<u>10,000</u>
	<u>109,400</u>	<u>87,295</u>
Less: Unamortized discount	<u>(7,177)</u>	<u>(439)</u>
Net pledges receivable	<u>\$ 102,223</u>	<u>\$ 86,856</u>
Amounts due in:		
Less than one year	\$ 38,799	\$ 86,856
One to five years	44,158	-
Thereafter	<u>19,266</u>	<u>-</u>
Total	<u>\$ 102,223</u>	<u>\$ 86,856</u>

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**3- PLEDGES RECEIVABLE (continued)**

Included in pledges receivable is a promise to give from an individual who has an equity interest in a partnership which owns the building that the Organization currently occupies. The promise to give is the sum of \$10,000 per year for the calendar years 2010 - 2017 for a total of \$80,000. In return, the Organization signed a lease agreement for the same period of time. The present value of the pledge is determined using a discount rate of 2.5% and 4.5% in 2010 and 2009, respectively. At July 31, 2010 and 2009, management has determined that no allowance for uncollectible pledges is considered necessary.

**4- CONTRIBUTION RECEIVABLE**

The Organization is a beneficiary of the estate of Lillian Robbins Trust, and will receive a one-sixth share of the residual estate value. During the year ended July 31, 2009, the Organization received total payments of \$254,179, of which \$4,179 is interest income. In October 2009, the Organization received \$97,971, the remainder of the residual estate value.

In October 2008, the Organization was notified by Genworth Financial that it is the beneficiary of an annuity contract bequeathed by Lillian Robbins with a fair value of \$5,000. The contract is to be paid in 81 monthly installments ending in June 2015. The present value of this contract at the date of contribution was \$4,963. At July 31, 2010 and 2009, the present value of the contract amounted to \$3,699 and \$4,364, respectively.

**5- PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at July 31:

	<b>2010</b>	<b>2009</b>
Computer equipment	\$ 37,405	\$ 38,027
Office equipment	7,446	12,514
Telephone equipment	22,374	22,374
Office furniture	12,453	16,351
Software	5,409	5,409
Leasehold improvements	7,435	7,435
	92,522	102,110
Accumulated depreciation	(88,978)	(93,840)
	<b>\$ 3,544</b>	<b>\$ 8,270</b>

Depreciation expense for the years ended July 31, 2010 and 2009 was \$4,725 and \$5,012, respectively.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**6- ACCRUED VACATION**

Accrued employee vacation benefits are recognized as liabilities of the Organization. The value of accrued vacation benefits as of July 31, 2010 and 2009 was \$22,302 and \$34,855, respectively.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested accumulated sick leave. Accumulated sick leave is not recognized as a liability of the Organization since payment of such benefits is recorded as expenditures in the period the sick leave is taken.

**7- TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose at July 31:

	2010	2009
Family legal aid program	<u>\$ 92,770</u>	<u>\$ 92,329</u>

**8- OPERATING LEASES**

The Organization leases its office space under a noncancelable operating lease expiring in August 2017. In addition, the Organization has noncancelable operating leases for certain office equipment with lease terms of four years expiring through February 2011.

Future minimum lease payments are as follows:

2011	\$ 112,540
2012	136,539
2013	140,634
2014	144,848
2015	149,193
Thereafter	488,599
	<u>\$ 1,172,353</u>

Total lease expense under these agreements for the years ended July 31, 2010 and 2009 was \$138,018 and \$173,028, respectively.

**HARRIETT BUHAI CENTER FOR FAMILY LAW  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010**

**9- DONATED SERVICES**

Donated services meeting the criteria for recognition in the financial statements are reflected as non-cash contributions and are recorded as contributions and expenditures at their actual or estimated fair market values at the date of receipt. As of July 31, the value of these donated services is as follows:

	<u>2010</u>	<u>2009</u>
Attorneys	\$ 2,616,023	\$ 2,578,853
Paralegals	<u>751,345</u>	<u>685,870</u>
	<u>\$ 3,367,368</u>	<u>\$ 3,264,723</u>

**10- RETIREMENT PLAN**

The Board approved the Organization's Section 403(b) Tax-Deferred Annuity Plan effective January 1, 2009. All employees are eligible to participate and may make elective salary deferrals. The Plan is funded solely by employee contributions and does not provide for any contributions by the Organization.