

HARRIETT BUHAI CENTER FOR FAMILY LAW

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

**YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016**



Cooper, Moss, Resnick, Klein & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harriett Buhai Center for Family Law

We have audited the accompanying financial statements of Harriett Buhai Center for Family Law (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harriett Buhai Center for Family Law as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Harriet Buhai Center for Family Law's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cooper, Moss, Resnick, Klein & Co, LLP

Sherman Oaks, California
January 25, 2018

HARRIETT BUHAI CENTER FOR FAMILY LAW
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents - operating	\$ 300,386	\$ 180,413
Cash and cash equivalents - non-operating	498,158	346,526
Grants and contracts receivable	84,051	105,798
Pledges receivable, net	131,971	178,861
Other receivable	5,705	-
Prepaid expenses	39,414	32,479
TOTAL CURRENT ASSETS	1,059,685	844,077
Property and equipment, net	4,683	7,420
Pledges receivable, net, noncurrent	-	9,753
	4,683	17,173
TOTAL ASSETS	\$ 1,064,368	\$ 861,250
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,145	\$ 16,937
Accrued expenses	51,156	45,520
TOTAL LIABILITIES	66,301	62,457
 NET ASSETS		
Unrestricted	883,484	792,373
Temporarily restricted	114,583	6,420
TOTAL NET ASSETS	998,067	798,793
TOTAL LIABILITIES AND NET ASSETS	\$ 1,064,368	\$ 861,250

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

HARRIETT BUHAI CENTER FOR FAMILY LAW
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Government contracts				
Federal	\$ 674,617	\$ -	\$ 674,617	\$ 524,800
State	160,918	-	160,918	128,858
Local	156,235	-	156,235	149,020
Foundations	91,417	114,583	206,000	50,000
Individual contributions	581,603	-	581,603	674,610
Manual sales	40,521	-	40,521	28,655
Other income	3,900	-	3,900	-
Investment income:				
Interest and dividend income	51	-	51	42
Realized loss on sale of investments	(174)	-	(174)	-
Net assets released by satisfaction of restrictions	6,420	(6,420)	-	-
TOTAL SUPPORT AND REVENUE BEFORE DONATED SERVICES	1,715,508	108,163	1,823,671	1,555,985
DONATED SERVICES SUPPORT	2,810,647	-	2,810,647	3,178,785
TOTAL SUPPORT AND REVENUE	4,526,155	108,163	4,634,318	4,734,770
EXPENSES				
Program Services				
Family legal aid	1,303,846	-	1,303,846	1,157,361
Donated services	2,810,647	-	2,810,647	3,178,785
Total program expenses	4,114,493	-	4,114,493	4,336,146
Supporting Services				
General, administrative and fund-raising	320,551	-	320,551	407,845
Total expenses	4,435,044	-	4,435,044	4,743,991
CHANGE IN NET ASSETS	91,111	108,163	199,274	(9,221)
NET ASSETS, beginning of year	792,373	6,420	798,793	808,014
NET ASSETS, end of year	\$ 883,484	\$ 114,583	\$ 998,067	\$ 798,793

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

HARRIETT BUHAI CENTER FOR FAMILY LAW
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets:	\$ 199,274	\$ (9,221)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,737	2,786
Receipt of contribution of non-cash assets	(3,753)	(1,467)
Realized loss (gain) on sale of investments	174	(2)
(Increase) decrease in:		
Grants and contracts receivable	21,747	(20,014)
Pledges receivable, net	56,643	(21,627)
Other receivable	(5,705)	-
Prepaid expenses	(6,935)	3,600
Increase (decrease) in:		
Accounts payable	(1,792)	3,967
Accrued expenses	5,636	8,626
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	268,026	(33,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,579	1,469
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,579	1,469
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	271,605	(31,883)
CASH AND CASH EQUIVALENTS - beginning	526,939	558,822
CASH AND CASH EQUIVALENTS - ending	\$ 798,544	\$ 526,939

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

**HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

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 and Revenue

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 FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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.

Comparative Financial Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Fair Value Measurements

The fair value of financial assets and liabilities is measured according to the *Fair Value Measurements and Disclosures* topic of FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 - Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 - Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 - Fair value is determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

**HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

The Organization reports donation support and expense for the estimated fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated.

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.

Concentration of Credit Risk

The Organization maintains its cash accounts at several financial institutions. Cash and cash equivalent accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At June 30, 2017, the Organization had a balance at one bank of approximately \$297,000 that was uninsured by the FDIC. Management and the Board believe there is no significant risk associated with respect to the Organization's uninsured deposits.

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 June 30, 2017 and no allowance for uncollectible amounts is considered necessary.

HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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
Office furniture	5
Software	3
Leasehold improvements	8

Tax Status

The Organization is a nonprofit 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.

Recent Accounting Pronouncements

“Revenue From Contracts with Customers” ASU 2014-09, as amended by ASU 2015-14, was issued in May 2014. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

The guidance will also require that certain contract costs incurred to obtain or fulfill a contract, such as sales commissions, be capitalized as an asset and amortized as revenue is recognized. Adoption of the new rules could affect the timing of both revenue recognition and the incurrence of contract costs for certain transactions. The new standard is effective for reporting periods beginning after December 15, 2018. Management is in the process of assessing the impact of this pronouncement on the results of the Organization's operations and financial condition.

In February 2016, ASU No. 2016-02 "Leases" was issued. This update requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. This pronouncement is effective for fiscal years beginning after December 15, 2019. Management is in the process of assessing the impact of this pronouncement on the results of the Organization's operations and financial condition.

"Not-For-Profit Entities: Presentation of Financial Statement of Not-For-Profit Entities (ASU 2016-14) was released in August 2016 to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. to provide more useful information to donors, grantors, creditors, and other users of financial statements. Among other changes, this update will require presentation in the statement of financial position and statement of activities amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, rather than the currently required three classes. It will also require enhanced disclosures in the footnotes about amounts and purposes of board appropriated resources, composition of net assets with donor restrictions, qualitative and quantitative information about management of assets available to meet short term cash needs, and methods used to allocate costs among program and support functions. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

**HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

2- PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
General fund-raising	\$ 122,211	\$ 179,348
Restricted to future periods	<u>10,000</u>	<u>10,000</u>
	132,211	189,348
Less: unamortized discount	<u>(240)</u>	<u>(734)</u>
Net pledges receivable	<u>\$ 131,971</u>	<u>\$ 188,614</u>
Amounts due in:		
Less than one year	\$ 131,971	\$ 178,861
One to five years	<u>-</u>	<u>9,753</u>
Total	<u>\$ 131,971</u>	<u>\$ 188,614</u>

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% in 2017 and 2016. At June 30, 2017 and 2016, management has determined that no allowance for uncollectible pledges is considered necessary.

3- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 15,830	\$ 15,830
Office equipment	12,410	12,410
Office furniture	13,652	13,652
Software	7,394	7,394
Leasehold improvements	<u>7,435</u>	<u>7,435</u>
	56,721	56,721
Less: accumulated depreciation	<u>(52,038)</u>	<u>(49,301)</u>
	<u>\$ 4,683</u>	<u>\$ 7,420</u>

**HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

3- PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended June 30, 2017 and 2016 was \$2,737 and \$2,786, respectively.

4- ACCRUED VACATION

Accrued employee vacation benefits are recognized as liabilities of the Organization. The value of accrued vacation benefits as of June 30, 2017 and 2016 was \$50,691 and \$45,168, respectively.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested accumulated sick leave and it 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.

5- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose at June 30:

	2017	2016
Family legal aid program	<u>\$ 114,583</u>	<u>\$ 6,420</u>

6- OPERATING LEASES

The Organization leases its office space under a noncancelable operating lease expiring in August 2018. The lease began September 2010, with an initial monthly rent of \$11,073, increasing at 3% per year. The Organization also has month-to-month operating leases for some of its office equipment.

Future minimum lease payments are as follows:

2018	\$ 162,634
2019	<u>27,238</u>
	<u>\$ 189,872</u>

**HARRIETT BUHAI CENTER FOR FAMILY LAW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

6- OPERATING LEASES (continued)

Total lease expense under these agreements for the years ended June 30, 2017 and 2016 was \$169,798 and \$162,894, respectively.

7- 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. At June 30, 2017 and 2016, the value of these donated services is as follows:

	2017	2016
Attorneys	\$ 2,260,300	\$ 2,770,337
Paralegals	539,650	397,378
Interpreters	10,697	11,070
	\$ 2,810,647	\$ 3,178,785

8- RETIREMENT PLAN

The Organization maintains a defined contribution pension plan, established in 2009, under Internal Revenue Code section 403(b). Substantially 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.

9- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HARRIETT BUHAI CENTER FOR FAMILY LAW
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>					<u>2016</u>
	<u>Supporting Services</u>			<u>Program Services</u>		<u>Total</u>
	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total</u>	<u>Family Legal Aid</u>	<u>Total</u>	
Accounting and audit	\$ 1,608	\$ 1,302	\$ 2,910	\$ 14,103	\$ 17,013	\$ 20,898
Advertising	122	2,487	2,609	1,060	3,669	5,245
Copier and computer repairs and maintenance	2,559	2,071	4,630	22,443	27,073	22,386
Depreciation	2,737	-	2,737	-	2,737	2,786
Dues, subscriptions and education	2,120	1,172	3,292	9,870	13,162	11,990
Fundraising costs	-	2,040	2,040	-	2,040	26,542
General and malpractice insurance	471	381	852	11,475	12,327	12,263
Library	-	-	-	4,837	4,837	7,725
Mileage and parking	429	-	429	7,437	7,866	6,704
Miscellaneous	17,340	3,680	21,020	8,997	30,017	41,888
Outside services	337	6,007	6,344	4,298	10,642	9,325
Postage	1,654	4,541	6,195	14,509	20,704	20,822
Printing and communications	5,532	9,067	14,599	-	14,599	14,142
Rent	17,072	13,817	30,889	149,712	180,601	174,243
Salaries, payroll taxes and employee benefits	103,470	83,745	187,215	907,400	1,094,615	1,013,528
Supplies	2,500	2,024	4,524	21,928	26,452	28,539
Telephone	1,381	1,119	2,500	12,113	14,613	14,753
Travel	117	511	628	278	906	2,220
Volunteer program	348	6,360	6,708	14,371	21,079	6,590
Workers' compensation and medical insurance	11,291	9,139	20,430	99,015	119,445	122,617
Total expenses before donated services	171,088	149,463	320,551	1,303,846	1,624,397	1,565,206
Donated services	-	-	-	2,810,647	2,810,647	3,178,785
TOTAL EXPENSES	\$ 171,088	\$ 149,463	\$ 320,551	\$ 4,114,493	\$ 4,435,044	\$ 4,743,991

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