

SMITH BUNDAY BERMAN BRITTON, P.S.

EASTSIDE LEGAL ASSISTANCE PROGRAM

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

September 26, 2018

To the Board of Directors
Eastside Legal Assistance Program

Independent Auditor's Report

We have audited the accompanying financial statements of Eastside Legal Assistance Program (a non-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits 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 Eastside Legal Assistance Program 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.

Smith Bunday Berman Britton, P.S.

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

| | 2017 | 2016 |
|---|-------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 113,444 | \$ 66,413 |
| Promises to give - current | 32,827 | 20,375 |
| Grants receivable | 87,615 | 54,447 |
| Prepaid expenses and other current assets | 1,950 | 7,075 |
| Total current assets | 235,836 | 148,310 |
| Promises to give, net | 18,727 | 18,930 |
| Security deposit | 3,887 | 3,887 |
| Total noncurrent assets | 22,614 | 22,817 |
| Total Assets | \$ 258,450 | \$ 171,127 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 9,243 | \$ 5,612 |
| Accrued expenses and other liabilities | 36,454 | 25,297 |
| Total current liabilities | 45,697 | 30,909 |
| Deferred rent | 4,322 | 9,613 |
| Total liabilities | 50,019 | 40,522 |
| Commitments | | |
| Net assets: | | |
| Unrestricted | 149,815 | 95,605 |
| Temporarily Restricted | 58,616 | 35,000 |
| Total net assets | 208,431 | 130,605 |
| Total Liabilities and Net Assets | \$ 258,450 | \$ 171,127 |

See accompanying notes to financial statements

EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Changes in unrestricted net assets: | | |
| Revenues and support: | | |
| Grants | \$ 509,568 | \$ 371,331 |
| Contributions | 86,681 | 54,857 |
| In-kind contributions | 642,710 | 832,342 |
| Special events, net of expenses \$46,070 and \$32,147, respectively | 111,238 | 108,037 |
| Other income | 1,151 | 146 |
| Total unrestricted revenues and support | <u>1,351,348</u> | <u>1,366,713</u> |
| | | |
| Net assets released from restriction | 138,384 | - |
| | | |
| Expenses: | | |
| Program services | 1,286,403 | 1,304,678 |
| Management and general | 56,517 | 57,839 |
| Fundraising | 92,602 | 60,959 |
| Total expenses | <u>1,435,522</u> | <u>1,423,476</u> |
| | | |
| Decrease in unrestricted net assets | 54,210 | (56,763) |
| | | |
| Temporarily restricted revenues and support: | | |
| Grants | 132,000 | - |
| Contributions | 30,000 | 35,000 |
| Net assets released from restriction | <u>(138,384)</u> | <u>-</u> |
| | | |
| Increase in temporarily restricted net assets | <u>23,616</u> | <u>35,000</u> |
| | | |
| Increase (decrease) in net assets | 77,826 | (21,763) |
| | | |
| Net assets, beginning of year | <u>130,605</u> | <u>152,368</u> |
| | | |
| Net assets, end of year | <u>\$ 208,431</u> | <u>\$ 130,605</u> |

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Program Services | | | | | Management and General | Fundraising | Total |
|------------------------------------|----------------------|--|---|---|------------------------------|---------------------------|------------------|---------------------|
| | Domestic Violence | Clinics, Workshops, and Lectures | Volunteer Attorneys and Phone Referrals | Client Plus and Direct Representation | Total Program Services | | | |
| In-kind | \$ 390,790 | \$ 178,301 | \$ 67,805 | \$ - | \$ 636,896 | \$ 5,814 | \$ - | \$ 642,710 |
| Salaries | 327,401 | 39,732 | 38,605 | 48,331 | 454,069 | 28,800 | 68,858 | 551,727 |
| Payroll taxes | 31,205 | 3,726 | 3,726 | 3,726 | 42,383 | - | 4,192 | 46,575 |
| Employee benefits | 26,370 | 3,091 | 3,165 | 3,095 | 35,721 | - | 3,407 | 39,128 |
| Rent | 37,594 | 4,125 | 4,125 | 4,125 | 49,969 | 4,067 | 4,067 | 58,103 |
| Contract services | 5,234 | 525 | 525 | 525 | 6,809 | 12,074 | 518 | 19,401 |
| Telephone and internet | 3,973 | 436 | 436 | 436 | 5,281 | 430 | 430 | 6,141 |
| Staff training | 6,180 | 747 | - | - | 6,927 | - | 146 | 7,073 |
| Printing, copier, and reproduction | 2,953 | 324 | 324 | 324 | 3,925 | 320 | 320 | 4,565 |
| Library and subscriptions | 4,849 | 693 | 231 | - | 5,773 | - | - | 5,773 |
| Postage and shipping | 1,580 | 173 | 173 | 173 | 2,099 | 171 | 171 | 2,441 |
| Office | 6,952 | 950 | 786 | 622 | 9,310 | 713 | 1,566 | 11,589 |
| Travel, meals, and parking | 5,219 | 682 | 129 | 571 | 6,601 | 1,004 | 606 | 8,211 |
| Insurance | 1,091 | 15 | 306 | 44 | 1,456 | 1,218 | - | 2,674 |
| Dues and membership fees | 3,500 | 380 | 380 | 380 | 4,640 | - | 2,967 | 7,607 |
| Marketing and publicity | - | - | - | - | - | 1,130 | 100 | 1,230 |
| Facilities and equipment | 11,668 | 426 | 893 | 426 | 13,413 | 420 | 1,610 | 15,443 |
| Miscellaneous | 129 | 129 | 129 | 129 | 516 | 130 | - | 646 |
| Employee appreciation | 356 | 39 | 39 | 39 | 473 | 39 | 39 | 551 |
| Meetings | 43 | 33 | 33 | 33 | 142 | 187 | - | 329 |
| Bad debts | - | - | - | - | - | - | 3,605 | 3,605 |
| | <u>\$ 867,087</u> | <u>\$ 234,527</u> | <u>\$ 121,810</u> | <u>\$ 62,979</u> | <u>\$ 1,286,403</u> | <u>\$ 56,517</u> | <u>\$ 92,602</u> | <u>\$ 1,435,522</u> |

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Program Services | | | | | Management and General | Fundraising | Total |
|------------------------------------|----------------------|--|---|---|------------------------------|---------------------------|------------------|---------------------|
| | Domestic Violence | Clinics, Workshops, and Lectures | Volunteer Attorneys and Phone Referrals | Client Plus and Direct Representation | Total Program Services | | | |
| In-kind | \$ 462,540 | \$ 191,940 | \$ 175,862 | \$ - | \$ 830,342 | \$ 2,000 | \$ - | \$ 832,342 |
| Salaries | 197,896 | 36,614 | 36,363 | 50,835 | 321,708 | 28,800 | 48,522 | 399,030 |
| Payroll taxes | 20,032 | 1,757 | 1,757 | 9,138 | 32,684 | - | 2,461 | 35,145 |
| Employee benefits | 14,173 | 2,329 | 2,441 | 2,839 | 21,782 | 2,297 | 2,296 | 26,375 |
| Rent | 35,025 | 4,378 | 4,378 | 4,378 | 48,159 | 4,379 | 4,378 | 56,916 |
| Contract services | 2,827 | 1,160 | 1,160 | 1,160 | 6,307 | 9,089 | - | 15,396 |
| Telephone and internet | 1,436 | 610 | 215 | 395 | 2,656 | 574 | 359 | 3,589 |
| Staff training | 1,151 | 460 | - | 460 | 2,071 | 231 | - | 2,302 |
| Printing, copier, and reproduction | 1,423 | 757 | 466 | 577 | 3,223 | 479 | 188 | 3,890 |
| Library and subscriptions | 4,079 | 583 | 194 | - | 4,856 | - | - | 4,856 |
| Postage and shipping | 855 | 371 | 371 | 485 | 2,082 | 483 | 285 | 2,850 |
| Office | 6,474 | 1,772 | 1,306 | 787 | 10,339 | 2,332 | 757 | 13,428 |
| Travel, meals, and parking | 2,834 | 256 | 225 | 250 | 3,565 | 2,293 | - | 5,858 |
| Insurance | 796 | 11 | 223 | 32 | 1,062 | 1,197 | - | 2,259 |
| Dues and membership fees | 2,219 | - | 1,109 | - | 3,328 | 1,109 | - | 4,437 |
| Marketing and publicity | - | - | - | - | - | - | 1,713 | 1,713 |
| Facilities and equipment | 7,256 | 518 | 518 | 518 | 8,810 | 1,555 | - | 10,365 |
| Miscellaneous | 227 | 227 | 227 | 227 | 908 | 227 | - | 1,135 |
| Employee appreciation | 121 | 44 | 34 | 17 | 216 | 26 | - | 242 |
| Meetings | 175 | 135 | 135 | 135 | 580 | 768 | - | 1,348 |
| | <u>\$ 761,539</u> | <u>\$ 243,922</u> | <u>\$ 226,984</u> | <u>\$ 72,233</u> | <u>\$ 1,304,678</u> | <u>\$ 57,839</u> | <u>\$ 60,959</u> | <u>\$ 1,423,476</u> |

See accompanying notes to financial statements

**EASTSIDE LEGAL ASSISTANCE PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | 2017 | 2016 |
|---|-------------|-------------|
| Change in net assets | \$ 77,826 | \$ (21,763) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Bad debt expense | 3,605 | - |
| (Increase) decrease: | | |
| Contributions receivable | (15,854) | (1,175) |
| Grants receivable | (33,168) | (13,878) |
| Prepaid expenses and other current assets | 5,125 | (2,353) |
| (Decrease) increase: | | |
| Accounts payable | 3,631 | 1,160 |
| Accrued expenses and other liabilities | 11,157 | 9,212 |
| Deferred revenue | - | (5,500) |
| Deferred rent | (5,291) | (3,878) |
| | 47,031 | (38,175) |
| Net cash provided by (used in) operating activities | 47,031 | (38,175) |
| Net increase (decrease) in cash | 47,031 | (38,175) |
| Cash and cash equivalents at beginning of year | 66,413 | 104,588 |
| Cash and cash equivalents at end of year | \$ 113,444 | \$ 66,413 |

See accompanying notes to financial statements.

EASTSIDE LEGAL ASSISTANCE PROGRAM

Notes to Financial Statements

NOTE 1 – ACTIVITIES OF THE ORGANIZATION

Eastside Legal Assistance Program (ELAP) is a nonprofit organization dedicated to making the legal system more accessible to those most in need by providing free or low-cost yet high quality civil legal services to low-income residents of East and Northeast King County, Washington and domestic violence legal aid throughout King County. ELAP operated the following four programs: Clinics, Workshops, and Lectures; Client Plus and Direct Representation; Domestic Violence; and Volunteer Attorneys and Phone Referrals.

Clinics, Workshops, and Lectures – ELAP operates legal clinics staffed by intake and attorney volunteers. Clients receive free legal advice and consultation on their civil legal issues.

Client Plus and Direct Representation – Limited individual assistance beyond the advice and counsel provided at the legal clinics is available from volunteer attorneys. This may involve writing letters, reviewing documents, and making phone calls for a client. This also includes the Wills Project where clients receive basic documents such as wills, physician’s directives, etc. Direct representation is provided in some cases by volunteer attorneys, which involves providing more complete legal services at no charge to the client.

Domestic Violence – ELAP’s Domestic Violence (DV) Staff and Volunteer Attorneys provide extensive advice and limited representation for survivors of domestic violence. They assist survivors in understanding the options available to them. In cases where a woman’s health and safety is at substantial risk, ELAP seeks out teams of attorneys from law firms and companies to provide full representation to the DV survivor.

Volunteer Attorneys and Phone Referrals – Many clients who contact ELAP either need other services or do not qualify for ELAP’s services. ELAP provides referrals to other legal services providers with specialized expertise or who do not have income limits where clients exceed 200% of the Federal poverty level.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation –

Net assets, revenues and support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ELAP and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets: Net assets that have uses that have been limited by donors to a specific time period or purpose.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by ELAP.

NOTE 2 – continued

At December 31, 2017, ELAP has temporarily restricted net assets amounting to \$58,616 and no permanently restricted net assets. At December 31, 2016, ELAP has temporarily restricted net assets amounting to \$35,000 and no permanently restricted net assets.

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, liabilities, revenues and expenses in the financial statements, and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents –

ELAP considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

ELAP maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Promises to Give –

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, using present value techniques. In 2017 and 2016, ELAP received \$30,000 time-restricted and unconditional pledges to be paid over 3 years. The pledges were discounted using the Wall Street Journal Prime rate of 4.5% and 3.75% at December 31, 2017 and 2016, respectively. Present value of the pledges is \$28,727 and 28,930 at December 31, 2017 and 2016, respectively.

Property, Equipment and Depreciation –

Property and equipment are stated at cost if purchased and at fair market value if received from a donor. Expenditures for maintenance and repairs are expensed as incurred. Costs of renewals and betterments of a nature considered to materially extend the useful lives of assets in excess of \$1,000 are capitalized. Depreciation of property and equipment is provided on a straight-line method over estimated useful lives of five to seven years. There is no depreciation expense for the years ended December 31, 2017 and 2016.

Revenue Recognition –

Contributions are recognized in the period received, including unconditional promises to give when made, at their fair value. Conditional promises to give are recognized when the conditions on which the promises depend are substantially met. An allowance for uncollectible promises to give is recorded based on management's periodic evaluation of ELAP's past experience, evaluation of the donor's ability to pay and other current economic conditions. There is no allowance at December 31, 2017 and 2016.

Grants are generally cost reimbursement awards. Revenues are recognized when expenses have been incurred that are related to the grant and the terms of the grant have been fulfilled.

NOTE 2 – continued

In-kind Contributions –

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended December 31, 2017 and 2016, ELAP recognized \$642,710 and \$832,342, respectively, of pro bono legal services. In addition to this, throughout the year general and fund-raising services are provided by volunteers, which are not recognized as contributions in the financial statements based on the above criteria.

Income Taxes –

ELAP has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal income taxes, under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income tax, if any.

Accounting principles general accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if ELAP has taken uncertain positions that more likely than not would not be sustained upon examination by the U.S. government. ELAP has analyzed the tax positions taken and has concluded that as of December 31, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. ELAP is open for routine income tax examinations for the current year and prior two years based on the applicable laws and regulations.

Concentrations –

Grant revenue representing approximately 20% of ELAP's total revenues and support was earned from two entities during the years ended December 31, 2017. Approximately 60% of grants receivable are due from these two entities and 30% from two more entities at December 31, 2017. Grant revenue representing approximately 9% of total revenues and support was earned from one entity during the year ended December 31, 2016. Approximately 19% of grants receivable are due from this entity and 69% from two more entities at December 31, 2016.

Promises to give representing approximately 75% of total promises to give are due from two individuals at December 31, 2017. Promises to give representing approximately 81% of total promises to give are due from one individual at December 31, 2016.

Functional Allocation of Expenses –

The costs of providing ELAP's programs and other activities have been summarized on a functional basis in the statement of activities based on management's estimates. Accordingly, certain management and general costs have been allocated among the programs and supporting services benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ELAP.

NOTE 3 – LEASE AND OTHER COMMITMENTS

Effective May 1, 2014, ELAP entered into a non-cancelable operating lease agreement for office space with an expiration date of September 30, 2019. The lease requires a \$3,887 security deposit. Future annual minimum payments under this non-cancellable operating lease obligation are as follows:

| | |
|------|------------------------|
| 2018 | \$46,174 |
| 2019 | <u>34,984</u> |
| | <u><u>\$81,158</u></u> |

Total rent expense was \$58,103 and \$56,916 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 – RETIREMENT PLAN

ELAP sponsors a defined contribution 401(k) plan for all employees meeting eligibility requirements. Generally, employees may make 401(k) contributions based on a percentage of their yearly compensation, subject to statutory limits. Employer matching contributions are at the discretion of the Board of Directors. Matching contributions for the years ended December 31, 2017 and 2016 were \$2,190 and \$0, respectively.

NOTE 5 – SUBSEQUENT EVENTS

Management of ELAP has evaluated subsequent events through September 26, 2018, the date which the financial statements were available to be issued.