



VETERANS LEGAL INSTITUTE
(A California not-for-profit corporation)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
December 31, 2017

With comparative statements
for the year ended December 31, 2016

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

VETERANS LEGAL INSTITUTE
(A California not-for-profit corporation)

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To the Board of Directors
Veterans Legal Institute
Santa Ana, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **Veterans Legal Institute**, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2016 financial statements as in our report dated July 21, 2017; and unmodified opinion was expressed on those 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Veterans Legal Institute** as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2018 on our consideration of **Veterans Legal Institute's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Veterans Legal Institute's** internal control over financial reporting and compliance.

JZ CPAs Inc

Long Beach, California
March 9, 2018

VETERANS LEGAL INSTITUTE

STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

(With comparative totals as of December 31, 2016)

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ <u>269,646</u>	\$ <u>260,187</u>
Total current assets	<u>269,646</u>	<u>260,187</u>
Non-current assets:		
Furniture and equipment (Note 3)	4,500	4,500
Less: accumulated depreciation (Note 3)	<u>(1,800)</u>	<u>(900)</u>
Net property and equipment	<u>2,700</u>	<u>3,600</u>
Security Deposit - Rent	1,971	1,971
Total non-current assets	<u>4,671</u>	<u>5,571</u>
TOTAL ASSETS	\$ <u><u>274,317</u></u>	\$ <u><u>265,758</u></u>
 LIABILITIES AND NET EQUITY		
Current liabilities:		
Accounts payable	\$ <u>5,000</u>	\$ <u>5,000</u>
Total current liabilities	<u>5,000</u>	<u>5,000</u>
Total liabilities	<u>5,000</u>	<u>5,000</u>
Net Assets:		
Unrestricted net assets	<u>269,317</u>	<u>260,758</u>
Total net assets	<u>269,317</u>	<u>260,758</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>274,317</u></u>	\$ <u><u>265,758</u></u>

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

VETERANS LEGAL INSTITUTE
STATEMENT OF ACTIVITIES
For the year ended December of 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES:		
Contributions	\$ 434,450	\$ 491,998
Donated Goods and Services	144,192	
Other income		296
	<u>578,642</u>	<u>492,294</u>
EXPENSES:		
Program services	522,105	244,771
Management and general	46,910	10,029
Fundraising	1,068	2,441
	<u>570,083</u>	<u>257,241</u>
Increase in net assets	8,559	235,053
Net assets, beginning of the year	<u>260,758</u>	<u>25,705</u>
Net assets, end of the year	<u>\$ 269,317</u>	<u>\$ 260,758</u>

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

VETERANS LEGAL INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>	<u>2016 Total expenses</u>
EXPENSES:					
Grants & direct assistance:					
Specific assistance - individuals	\$ -	\$ -	\$ -	\$ -	\$ 18,600
Donated goods and services	144,192	-	-	144,192	-
Total grants & direct assistance:	<u>144,192</u>	<u>-</u>	<u>-</u>	<u>144,192</u>	<u>18,600</u>
Salaries and related expenses:					
Salaries and wages	231,643	11,497	-	243,140	121,278
Payroll taxes	73,991	-	-	73,991	36,858
Total salaries and related expenses:	<u>305,634</u>	<u>11,497</u>	<u>-</u>	<u>317,131</u>	<u>158,136</u>
Contract service expenses:					
Legal fees	3,222	3,710	-	6,932	4,477
Professional fees	-	5,000	-	5,000	5,000
Total contract service expenses:	<u>3,222</u>	<u>8,710</u>	<u>-</u>	<u>11,932</u>	<u>9,477</u>
Nonpersonnel expenses:					
Supplies	2,586	4,442	-	7,028	14,584
Telephone and telecommunication	5,123	-	-	5,123	5,742
Postage and shipping	1,082	-	-	1,082	1,844
Printing and copying	2,745	-	-	2,745	4,279
Books, subscriptions, references	3,449	-	-	3,449	1,428
Total nonpersonnel expenses:	<u>14,985</u>	<u>4,442</u>	<u>-</u>	<u>19,427</u>	<u>27,877</u>
Facility & equipment expenses:					
Rent, parking, other occupancy	27,959	-	-	27,959	23,601
Utilities	-	19,620	-	19,620	2,515
Depreciation	900	-	-	900	900
Property Taxes	-	-	-	-	49
Total facility & equipment expenses:	<u>28,859</u>	<u>19,620</u>	<u>-</u>	<u>48,479</u>	<u>27,065</u>
Travel & meetings expenses:					
Travel	3,401	-	-	3,401	2,099
Conference, Convention, Meeting	-	-	-	-	300
Total travel & meeting expenses:	<u>3,401</u>	<u>-</u>	<u>-</u>	<u>3,401</u>	<u>2,399</u>
Other expenses:					
Other expenses	15,630	1,800	-	17,430	1,495
Advertising expenses	-	106	1,068	1,174	2,141
Insurance	6,182	735	-	6,917	10,051
Total other expenses:	<u>21,812</u>	<u>2,641</u>	<u>1,068</u>	<u>25,521</u>	<u>13,687</u>
Total expenses	\$ <u>522,105</u>	\$ <u>46,910</u>	\$ <u>1,068</u>	\$ <u>570,083</u>	\$ <u>257,241</u>

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

VETERANS LEGAL INSTITUTE
STATEMENT OF CASH FLOW
For the year ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 8,559	\$ 235,053
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	900	900
Changes in operating assets and liabilities:		
Increase (decrease) in liabilities:		
Accounts payable		5,000
Net cash provided by operating activities	9,459	240,953
Net increase in cash	9,459	240,953
Cash - beginning of the year	260,187	19,234
Cash - end of the year	\$ 269,646	\$ 260,187

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

VETERANS LEGAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

ORGANIZATION

Veterans Legal Institute (VLI) empowers our nation's heroes and their families with a holistic approach. VLI is a 501 (c) 3 public interest law firm that is one of the very few in the nation totally dedicated to and military specific in providing pro bono legal assistance to veterans. Founded in 2014 by two California attorneys with military experience, Our enduring goal is to greatly reduce veteran suicide and homelessness. Our clientele are homeless, at-risk, low income and disabled veterans and active service members. VLI's mission is to eradicate barriers to housing, education, employment, and healthcare and to foster self-sufficiency. VLI also advocates on behalf of its clients by providing community education and training in an effort to increase awareness, resources, and overall protections.

Studies show us that receiving care from peers generates the strongest and most enduring results. This holds true in our experience where all of our staff have military experience and/or are spouses of veterans. Last year, VLI served 1,647 clients with 36% of cases addressing veterans benefits law and discharge upgrades. **To date, VLI has served over 4,000 veterans, and recovered over \$1.5 million dollars in veterans benefits across Southern California.**

Needs:

Southern California has one of the largest concentrations of military veterans in the nation. The number of homeless, unemployed, underemployed, and low-income veterans in Orange County continues to grow as more service members return after completing service in Iraq, Afghanistan, and other postings overseas. While Orange County is distinguished at being 4th in veteran population, it is also challenged by having the highest median rent according to a recent US Census report.

Most of VLI's clients live across Southern California, with the top four cities being Santa Ana, Anaheim, Long Beach, and Los Angeles. Many live with traumatic brain injuries, PTSD, or complex challenges from military sexual trauma. Veterans are between 19-99 years old, have families with 1-5 children, and on average earn less than \$1,000 a month. Those in college live frugally off benefit allowances, couch surf, or live in cars.

Success Story:

As a no-cost law firm, funds generated allow VLI to help veterans in need transition from homeless shelter to homeownership. One such case is Linda, a proud U.S. Army veteran who made her military career in flight operations. She came to VLI facing a court action by a major national bank for a loan she had already paid in full. Because of this action, she was blocked from buying property. "You take a big step owning your own home," Linda shared. "The bank attorney would not respond to my phone calls. It was crazy." VLI accepted Linda's case, contacted the bank's attorney, and was able to resolve the issue expediently, freeing Linda to finalize her transaction. With the case dismissed, Linda has been able to buy and sell property three times and looks forward to an even brighter future.

VETERANS LEGAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES (continued)

Program activities:

Veterans can apply online, call the office and speak to a live person, attend one of VLI's many mobile legal clinics like the VA Hospital Long Beach, or be referred by several collaborating agencies. VLI completes legal work in house and farms out specialized areas of the law to pro bono civilian attorneys from a variety of firms. Areas of law include (but are not limited to) discharge upgrades, VA pensions and healthcare access, landlord-tenant disputes, and restoring driver's licenses. No veteran ever receives a bill.

Veterans can show up to a clinic or reserve a spot in advance. Attorneys or volunteers greet the veteran, put them at ease, and begin the intake process. An initial application is filled out which requests the applicant's military history, income and basic case information. Those who fall within the eligibility of VLI as low income, within our geographic area, and have a case type that VLI services are selected. Those veterans who require wrap around services are referred to evidence-based collaborators.

VLI collaborates with over 70 organizations through leadership in the Orange County Veterans and Military Families Collaborative. Also, VLI is a partner in the Strong Families, Strong Children collaborative. SFSC is a consortium of five nonprofit partners (Child Guidance Center, Human Options, Children and Family Futures, Families Forward, and Veterans Legal Institute) bringing together a coordinated, Community-based approach to provide an array of support services to underserved OC veteran and military families (including children). Services include: evidence-based mental health and trauma treatment; domestic violence and substance abuse prevention; housing; basic needs; legal assistance and advocacy; and program evaluation and outcome measurement.

Program goal:

To increase the quantity and quality of strategic, free legal aid to qualified active and former service members to empower self-sufficiency.

Objectives for 2018:

1. Continue: strategic mobile outreach clinics at the veteran hotspots: VA Hospital Long Beach, Starbucks Coffeehouse next to the Santa Ana Civic Center, Saddleback College, the City of Mission Viejo, The North County Vet Center in Garden Grove, and the Orange County Veterans Service Office.
2. Continue: specialty clinics for family law and women veterans in the VLI office, thereby expanding choice and options to access expert pro bono attorneys in these focus areas.

VETERANS LEGAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES (continued)

Outcomes for 2018:

1. Remove legal barriers to increase access to housing, employment, healthcare, and education for up to 400 unduplicated clients for a full calendar year via clinics.
2. Increase scope, range, and quality of legal services provided to the veteran community by expanding the number of total veterans served to 4,500 by the end of 2018.

Program reporting:

Outcomes are measured through an extensive computer reporting system called PRIME that defines various types of outcomes. General civilian legal issue reporting includes money won, money waived, reason closed, how the case was resolved (through litigation, settlement, etc.) and more. Military specific areas are measured by outcome received and what types of benefits are newly achieved as a direct result thereof, whether monetary, or in terms of education, health or cemetery benefits. Qualitative results are gathered during client case closure, permission to use personal stories in testimonials, and regular requests for feedback from collaborators and public discussions.

Sustainability:

Direct donations, beneficiary and annual events, and a variety of grants generate revenue, which we leverage with volunteers, collaborations, and leadership positions. Major subgrants or repeat sponsors of our clinics include Equal Justice Works AmeriCorps Legal Fellow, Volunteers of Los Angeles Orange County, American Warrior Project with OC Goodwill, and the Orange County Bar Association. VLI has also successfully acquired funding as a public interest law firm through the State Bar of California. Towards its commitment to transparency, VLI has received Platinum Seal with Guidestar, accreditation with The Patriot's Initiative, and a multiyear contract with DiversityComm for publication in their print and online US Veterans Magazine.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, Veterans Legal Institute considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

VETERANS LEGAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

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

CONTRIBUTED GOODS AND SERVICES

The accompanying financial statements include amounts of materials, equipment and services donated to Veterans Legal Institute. This is the first year that this information has been included in the financial statements. The basis of the valuation of these donations is generally an in-house appraisal of fair market value as indicated by the person or agency making the donation. Included in the statement of activities is \$144,192 of donated furniture, household goods and volunteer services as revenue and \$144,192 donated furniture, household goods, and volunteer services as expense.

INCOME TAXES

Veterans Legal Institute is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. The organization's management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Veterans Legal Institute' Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2017 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

VETERANS LEGAL INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 comprise the following:

<u>Description</u>	<u>Cost</u>	<u>Accum. deprec.</u>	<u>Net book value</u>
Furniture and equipment	\$ 4,500	\$ (1,800)	\$ 2,700
Net property and equipment	\$ 4,500	\$ (1,800)	\$ 2,700

NOTE 4 - SUBSEQUENT EVENTS

Veterans Legal Institute's Management has evaluated subsequent events for the period from December 31, 2017 through March 9, 2018, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.



To the Board of Directors
Veterans Legal Institute
Santa Ana, California

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Veterans Legal Institute**, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Veterans Legal Institute’s** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Veterans Legal Institute’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **Veterans Legal Institute’s** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Veterans Legal Institute's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JZ CPAs Inc

Long Beach, California
March 9, 2018