



# The State Bar of California

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Date: January 23, 2020

To: Members, Legal Services Trust Fund Commission

From: Christal Bundang, Senior Program Analyst  
Office of Access & Inclusion

Subject: **Veterans Legal Institute 2020 IOLTA and EAF Distribution and Determination on Pro Bono Allocation**

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## EXECUTIVE SUMMARY

On December 17, 2019, the Legal Services Trust Fund Commission ("Commission") found Veterans Legal Institute (VLI) eligible for 2020 IOLTA and EAF grant funding. The Commission accepted VLI's initial application and directed State Bar staff to work with VLI to revise its application to properly deduct all non-qualifying expenditures and to resolve any pending issues by January 10, 2020.

VLI made all requested changes and submitted its revised 2020 IOLTA and EAF grant application on January 3, 2020.

At its January 30 meeting, the Commission will determine if VLI is eligible for the additional pro bono allocation and approve VLI's final 2020 IOLTA and EAF grant funding allocation amount.

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## BACKGROUND

VLI's initial 2020 IOLTA and EAF application was elevated to Eligibility and Budget Review Committee and discussed during an Eligibility Review Conference on July 26, 2019. The Commission found VLI ineligible for 2020 IOLTA and EAF grant funding at its August 23, 2019 meeting. VLI requested reconsideration by the Commission under State Bar Rule 3.691(B)(2), and the Commission held an informal conference on November 22, 2019. On December 17, 2019, the Commission reversed its decision and found VLI eligible for 2020

IOLTA and EAF grant funding, which also includes EAF Homelessness Prevention (HP) funding in the amount of \$50,097.14.

On December 20, 2019 (Attachment A), staff sent notice to VLI confirming the Commission's determination to find it eligible for 2020 IOLTA and EAF grant funding. As a follow up, VLI was requested to make four revisions to its 2020 IOLTA and EAF application (Attachment B):

First, VLI was requested to list \$142,300 as Pass-Through Expenditures and adjust any other sections that reflect subsequently amortized amounts. VLI's revised application now reflects this \$142,300 as Pass-Through Expenditures.

Second, VLI was requested to deduct 20% of Dwight Stirling's salary in 2018 as a non-qualifying expense. VLI satisfied this request by deducting \$9,600 for eight months of Mr. Stirling's 2018 salary.

Third, VLI was requested to deduct 48% from the \$54,658 total expenditures from its September fundraiser as well other non-qualified staff time. VLI satisfied this request by deducting \$26,236 from the fundraiser and noted that its 45-member fundraiser committee was composed of entirely unpaid volunteers whose time did not overlap with pro bono attorney time. VLI estimated that 1% of staff time for two staff members was spent on the fundraising activity related to the event and deducted a total \$1,320 for staff time.

Finally, VLI was requested to update its narrative for Test C in its application for pro bono allocation. In response, VLI revised its Test C narratives for the Committee's consideration (Attachment C).

Based on the updated amounts, VLI's current allocation is \$134,200.14. The remaining issue is for the Commission to determine if VLI meets the requirements for the pro bono allocation (Attachment D).

## **DISCUSSION**

### **Pro Bono Allocation Eligibility Requirements**

In accordance with Business and Professions Code section 6216(B), an *additional* pro bono allocation is available to grantees whose "principal means" of the delivery of legal services is through pro bono volunteers.

The Legal Services Trust Fund Program Eligibility Guidelines for Legal Services Projects Only (Guidelines) sets forth the criteria for LSPs to qualify for pro bono allocations. The Commentary in Guidelines 2.6.3.1 requires that applicants first meet a threshold test to qualify for the pro bono allocation. The threshold requires the applicant to have either: “recruited at least 30 attorneys who provided services in the previous calendar year,” or “recruited at least 5% of the licensed attorneys in the county in the previous calendar year,” or established that volunteer attorneys “donated at least 1,000 hours of legal services for clients in the previous calendar year.”

### **Test C for Pro Bono Allocation Applications**

If an applicant satisfies the threshold pro bono inquiry, Guidelines 2.9.2 sets forth the additional requirement that the applicant utilizes private attorneys as their principal means to provide legal services. The commentary lists three ways an applicant can meet this requirement:

- Test A: Demonstrate that the number of hours of services provided by recruiting private attorneys exceeds the number of hours of services provided by lawyer staff employed by the applicant;
- Test B: Demonstrate that volunteer attorneys actually provided substantial free civil legal services, show the number of hours of service of the combined number of all volunteers exceeds the combined number of hours of service by staff and that the number of attorney volunteer hours is more than half the number of the combined hours of service for staff;
- Test C: Allows applicants to “describe and explain” in narrative how the applicant’s principal means of delivery of services is recruitment of attorneys in private practice.

VLI meets the threshold requirement and has applied for the pro bono allocation under Test C, for Los Angeles County and Orange County.

Attachment D lists the potential allocation amounts for VLI. The Commission will need to determine which amount VLI will receive for the 2020 IOLTA and EAF grant year.

Following the Commission’s decision, staff will release the IOLTA, EAF and EAF HP Formula budgets for VLI to complete. Normally, budget applications are approved by the Commission upon a recommendation from the Eligibility and Budget Review Committee. In order to expedite VLI’s grant payment, staff recommends that it be given authority to approve the proposed budget absent any substantive issues (such as a deviation from the recommended personnel to non-personnel percentages). Should any substantive issues arise; staff will proceed with the standard process described above.

## RECOMMENDATIONS

It is recommended that the Legal Services Trust Fund Commission approve one of the following resolutions:

**RESOLVED**, that the Legal Services Trust Fund Commission denies Veterans Legal Institute's application for a pro bono allocation and approves the following grant allocation to Veterans Legal Institute for the 2020 IOLTA and EAF grant year:  
**\$134,200.14**. The Commission also grants staff authority to approve VLI's budget, absent any substantive issues raised during staff review.

or,

**RESOLVED**, that the Legal Services Trust Fund Commissions approves Veterans Legal Institute's application for a pro bono allocation and approves the following grant allocation to Veterans Legal Institute for the 2020 IOLTA and EAF grant year:  
**\$161,394.14**. The Commission also grants staff authority to approve VLI's budget, absent any substantive issues raised during staff review.

## ATTACHMENTS LIST

- A. December 20, 2019 Letter to VLI
- B. VLI's revised 2020 IOLTA and EAF application submitted on January 3, 2020
- C. VLI's revised Test C Narratives
- D. Potential 2020 IOLTA and EAF allocation amounts



# The State Bar of California

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## OFFICE OF ACCESS & INCLUSION

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415-538-2461

December 20, 2019

### **VIA EMAIL**

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RE: Veterans Legal Institute Request for Reconsideration of Denial

Dear Antoinette:

On December 17, the Legal Services Trust Fund Commission ("Commission") met to discuss Veterans Legal Institute's ("VLI") request for reconsideration of the denial of eligibility for 2020 IOLTA and EAF funding. The Commission voted to accept VLI's initial application and found VLI eligible for 2020 IOLTA and EAF grant funding.

The Commission has directed State Bar staff to work with VLI to revise its application to properly deduct for all non-qualifying expenditures and to resolve any pending issues with the application by January 10, 2020. The Commission will review and approve VLI's allocation at its January 2020 meeting.

In response to the Commission's decision, the following revisions are needed on your 2020 IOLTA and EAF application:

### **Form VII. Total Corporate Expenditures**

Please revert to the information listed in VLI's initial application on Form VII, which listed \$142,300 as Pass-Through Expenditures, and adjust any other sections that reflect subsequently amortized amounts. Please also update any applicable descriptions.

### **Form VIII. Qualified Expenditures (Question 2)**

Please update your application to reflect the following non-qualifying expenses as deductions:

#### **1. 20% of Dwight Stirling's Salary**

According to Mr. Garner's letter dated December 16 (see highlighted section of attached), VLI estimated that 20% of Mr. Stirling's time was devoted to think tank work

in 2018. Since VLI has acknowledged that think tank work is a non-qualifying activity, please deduct 20% of Mr. Stirling's salary in 2018 and indicate this amount in Question 2.

**2. 48% of Total Expenditures from VLI's September Fundraiser**

Though Mr. Garner's letter applied 20% of expenses from the September fundraiser as non-qualifying activity, VLI's December 3 letter indicates that the total income from the September fundraiser was \$289,121. Of this amount, \$140,000 was raised for and paid to the think tank; this amount is 48% of the total raised. (see highlighted section of the attached excerpt from VLI's December 3 letter). As such, this same percentage should be applied to the \$54,658 total expenses reported. In addition, VLI should appropriately deduct staff related time for fundraising activity that benefited the think tank. Please revise your application to deduct 48% of the September fundraiser's total expenses and any other non-qualified staff time and indicate this amount in Question 2.

**Form IV. Application for Pro Bono Allocation**

For both applications for pro bono allocation in Los Angeles county and Orange county, please update your application's description to demonstrate how VLI's **principal** means of legal services delivery is through the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services in California.

Your application has been reverted to Revise status on [SmartSimple](#). Please submit your updated application with the requested revisions by **Friday, January 3**.

Should you have any questions, please email [christal.bundang@calbar.ca.gov](mailto:christal.bundang@calbar.ca.gov).

Sincerely,



Christal Bundang  
Sr Program Analyst

Enclosure

cc: KellyAnn Romanych, Veterans Legal Institute  
Scott B. Garner, Umberg Zipser LLP  
Leah Hamlin, Umberg Zipser LLP  
Brady Dewar, State Bar of California  
Hellen Hong, State Bar of California  
Doan Nguyen, State Bar of California



December 16, 2019

VIA EMAIL

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**Re: Recalculation of Expenditures In Support of VLI's Reconsideration Request**

Dear Ms. Hong:

We write in anticipation of the Legal Services Trust Fund Commission's (the "Commission") December 17, 2019 meeting, wherein the Commission will consider the recommendation of the Appeals Committee regarding Veterans Legal Institute's ("VLI") request for reconsideration of denial of IOLTA and EAF funding.

During its December 5, 2019 meeting, the Appeals Committee moved to recommend that the Commission continue reconsideration of VLI's request pending receipt of more information about the amount of time Dwight Stirling spent working on the think tank while employed at VLI. The following day, December 6, 2019, I spoke with Brady Dewar, Assistant General Counsel for the State Bar. Mr. Dewar stated that the Commission was particularly interested in seeing VLI's percentage of qualified expenditures if VLI isolated and excluded from its calculation the following three categories of expenditures: (1) the portion of Mr. Stirling's and other staff's time and salary spent on the think tank and related activities; (2) the portion of expenditures from the September 2018 fundraiser that went toward the think tank; and (3) the portion of volunteer time spent on the think tank from VLI's *pro bono* allocation.

As an initial matter, we have a number of concerns about the Commission's new request. First, this is far afield from any of the initial reasons the Commission provided for denying VLI's IOLTA application. As you will recall, after State Bar staff refused – without explanation – to treat the \$140,000 payment to Mr. Stirling's think tank as a pass-through (even though it squarely fit the State Bar's definition for pass-through), the reasons for denial were limited to the following: (1) VLI's auditor Jinhong Zhang was not "independent"; (2) Mr. Zhang conducted the

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December 16, 2019

Page 2

audit revision too quickly; (3) Mr. Zhang was “international”; and (4) VLI had “insufficient internal controls.” After VLI submitted its request for reconsideration addressing each of these reasons in detail, and restating its request for pass-through treatment, the Commission requested **nine** categories of supplemental documents, and sought responses to four supplemental questions. VLI dutifully and promptly responded to all of these requests by working through the Thanksgiving holiday. During the December 5, 2019 meeting, the Appeals Committee asked VLI to provide it with immediate responses to new questions it raised during public comment. Within **two hours** – while the Appeals Committee was still in closed session – VLI provided the new information in an email to Doan Nguyen. Now, the Commission is asking for even more information – and brand new calculations – that are well beyond the scope of the reasons for the initial denial.

Second, the Commission’s new request appears to go far beyond the scope of information requested from any other IOLTA applicant. VLI has always calculated its percentages of qualified expenditures by dividing its total number of indigent in-state cases by its total caseload, which the State Bar has approved.<sup>1</sup> Now, the Commission essentially is asking VLI to rework its financial statements with a level of granular detail that simply never has been required.

Third, it is inherently artificial for VLI to attempt to assign a percentage value to the categories of expenses that the Commission has identified. As with many *pro bono* legal firms, it would be inefficient and impracticable for VLI to require its attorneys to keep a minute-by-minute accounting of their time due to the sheer volume of cases they are handling. Accordingly, there are simply no records that exist to approximate such a delineation. Relatedly, the distinction itself is artificial. The population of veterans who receive legal services from VLI are the very same veterans who Mr. Stirling’s think tank was spun off to serve. So, there was necessarily overlap between Mr. Stirling’s direct legal services work and any VLI time he devoted to the think tank.

Having raised these concerns, we sincerely hope the Commission is not looking for a pretext to justify its denial of VLI’s application and that the Commission will objectively and in good faith review VLI’s application without the need for further legal process. We provide the below information on the assumption that the Commission is acting in good faith.

Please understand that VLI’s position with respect to the Commission’s new questions is the same as it has been – that is, Mr. Stirling spent only *de minimis* time on his think tank work while at VLI. While Mr. Stirling’s inspiration for the think tank was derived from his direct client services work at VLI, the vast majority of the time he spent actually working on the think

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<sup>1</sup> Notably, this calculation results in substantial **underreporting** of VLI’s qualified expenditures because cases involving indigent clients, on average, require far more attorney hours than non-indigent cases. Nevertheless, VLI opts for this system because it relieves VLI’s attorneys of the onus of timekeeping so that they can devote their time and efforts to serving veterans.



December 16, 2019

Page 3

tank prior to his departure was his own personal time. VLI agreed to fund his project because it is committed to the holistic service of veterans and believed his new project served that mission. VLI certainly does not intend to waive or otherwise give up this position.

Nevertheless, to accommodate the Commission's stated desire for VLI to come up with some percentage of time that is greater than *de minimis*, we have attempted to calculate a percentage that appears to be in line with what the Commission is asking from VLI, even assuming far higher percentages of think tank-related time than was the reality during the eight months in 2018 that Mr. Stirling was at VLI.

Thus, with that caveat, VLI has performed the requested calculations for the Commission's consideration. In terms of Mr. Stirling's salary, VLI assumed that approximately 20% of his time was devoted to think tank work. As we have repeatedly noted, this is a gross over-estimation of the proportion of actual time he spent on the think tank and was selected only to provide the Commission with a highly conservative, worst-case-scenario estimate of VLI's unqualified expenditures. Like the rest of VLI's attorneys, Mr. Stirling did not track his time, so there is no way for VLI to come up with a more specific percentage.

Second, VLI did not attempt to segregate its expenses in connection with the September 2018 fundraiser between VLI-related activities and Mr. Stirling's think tank. To the contrary, notwithstanding that VLI ultimately provided some of the raised funds to the think tank, VLI's fundraising efforts highlighted the client work VLI did, and sought to raise VLI's community image both currently and for the future – in other words, it was raising money not only for that night, but for future months and years, including after the think tank was completely spun off. In addition, the fundraising efforts ultimately were to support indigent and low-income veterans – the very population that both VLI and the think tank would be serving. To the extent the Commission insists on VLI coming up with some figure, however, we suggest that 20 percent is an extremely conservative figure, for the same reasons discussed in the preceding paragraph. In reality, that figure is probably significantly lower than 20 percent.

Finally, VLI did not deduct any volunteer people or hours from its *pro bono* allocation. That is because VLI still meets the threshold requirement for its allocation, even if it reduces its number of *pro bono* attorneys by 20% – an estimate which far exceeds the *pro bono* resources that were actually devoted to the think tank.<sup>2</sup>

Using those percentages, which again far overestimate the expenditures actually devoted to the think tank, VLI did two alternative allocations to determine its qualified expenditures. First, as set forth in **Table 1**, if the entire \$142,300 amount – comprised of the \$140,000 payment to the think tank and \$2,300 to Patriots and Paws from a third party bowling fundraiser – is treated as a

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<sup>2</sup> In actuality, VLI estimates that *none* of its *pro bono* attorneys spent time on think tank-related work.

December 16, 2019

Page 4

pass-through (as it should be), then total qualified expenditures are 52.23%, thus exceeding the 50% threshold for discretionary qualification for IOLTA funding.

**Table 1**

Total Corporate Expenditures (Personnel + Nonpersonnel)	\$544,219
Total Non-Qualified Expenditures (Includes 20% of D. Stirling salary and 20% of expenditures for September fundraiser)	\$243,661
Total Qualified Expenditures	\$300,558
<b>% Total Qualified Expenditures</b>	<b>55.22%</b>

In **Table 2**, VLI calculated total qualified expenditures if the \$142,300 is not treated as a pass-through, but instead is treated as a nonqualifying expense with the \$140,000 amortized over twenty years and, alternatively, ten years.<sup>3</sup> Again, VLI's qualified expenditures exceed the 50% threshold.

**Table 2**

	<b>20-year Amortization</b>	<b>10-year Amortization</b>
Total Corporate Expenditures (Personnel + Nonpersonnel)	\$553,519	\$560,519
Total Non-Qualified Expenditures (Includes 20% of D. Stirling salary and 20% of expenditures for September fundraiser)	\$256,744	\$263,744
Total Qualified Expenditures	\$296,745	\$296,745
<b>% Total Qualified</b>	<b>53.61%</b>	<b>52.94%</b>

Finally, it bears noting one more time that the only reason the percentage of VLI's qualified expenditures is even in the ballpark of the 50% threshold is because the definition of "indigency" used in the IOLTA funding applications excludes those veterans who receive federal disability assistance (usually for disabilities that are related to their military service). If these disabled veterans – who overwhelmingly depend on their meager disability assistance as their sole source

<sup>3</sup> The Commission has repeatedly questioned using 20 years for amortization. VLI's auditor stands by this figure, but we wanted to show the Commission that, even using a shorter, 10-year amortization schedule, VLI still exceeds the 50 percent threshold.

December 16, 2019

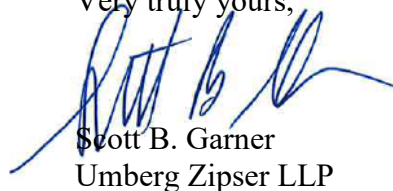
Page 5

of income – qualified as indigent, it is likely that VLI’s qualified expenditures would exceed the 75% threshold for automatic IOLTA funding.

In sum, even using significant over-approximations of the non-qualified expenses, VLI’s qualified expenses were sufficient to qualify VLI to receive IOLTA and EAF funding.

VLI is hopeful that its cooperation in providing all of the information the Commission has asked for shows its commitment to transparency, which flows from its commitment to the indigent veterans it serves. We look forward to the Commission’s decision on the request for reconsideration.

Very truly yours,



Scott B. Garner  
Umberg Zipser LLP

cc: Doan Nguyen <[Doan.Nguyen@calbar.ca.gov](mailto:Doan.Nguyen@calbar.ca.gov)>

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December 3, 2019

VIA EMAIL

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**Re: Supplemental Information In Support of VLI's Reconsideration Request**

Dear Ms. Hong:

Thank you again for taking the time to meet with us on November 22, 2019 to discuss Veterans Legal Institute's ("VLI") request for reconsideration of the Legal Services Trust Fund Commission's (the "Commission") preliminary decision to deny VLI's request for IOLTA and EAF funding. We write to address the specific questions posed in Doan Nguyen's November 25 email.<sup>1</sup>

In the first section of this letter, we provide a brief description of each of the documents provided by VLI to address the Commission's specific document requests. We provide a bookmarked PDF file of all relevant documents with this letter, with references to the various documents denoted as "Tab \_\_\_\_" herein (which correspond to the number of each request in Ms. Nguyen's November 25 email). In the second section of this letter, we provide VLI's responses to each of the Commission's "Supplemental Questions."

**Description of Attached Documents**

In item 1 of the request, the Commission asked for documents constituting "VLI Board approval of the original 2018 audit and the revised 2018 audit." **Tab 1** contains a letter from the VLI Board Chair, Marc Hankin, which describes the Board's approval process for both audits. As Mr. Hankin explains, the Board reviewed, discussed, and approved the original audit in the regular course (though it did not hold a formal vote). Because the revised audit had to be prepared and submitted to the State Bar on extremely short notice, VLI's Executive Director,

<sup>1</sup> As we requested, in order to accommodate the Thanksgiving holiday, we are providing this response by close of business on December 3 rather than the initial November 27 requested deadline. We appreciate your and Ms. Doan's agreement to provide this additional time.

December 3, 2019

Page 2

Antoinette Balta, and Deputy Executive Director, KellyAnn Romanych, immediately discussed the proposed revision with Mr. Hankin and agreed to an expedited audit revision showing the amortization. Given that it was not a change in actual funds received or spent, but rather an amortization, and given that this is a common practice, the revision was approved orally by the executive committee and Mr. Hankin as Board Chair. VLI's Board has since formally approved both the original and the revised audit, so the approval will now be reflected in the minutes.

In item 2, the Commission asked for documents identifying “[t]he percentage of 2019 expenditures and projected 2020 expenditures attributable to providing free civil legal services for indigent persons as defined in Business and Professions Code section 6213(d) and State Bar Rule 3.672(A).” **Tab 2** contains an analysis conducted by Ms. Romanych, providing these percentages. As you will see from Ms. Romanych’s analysis, the percentage of 2019 expenditures (using data from the first three quarters of 2019 for unduplicated clients) is approximately (1) 60% if VLI uses the definition of indigence as provided in State Bar Rule 3.672(a), or (2) 76% if VLI uses the expanded definition of indigence as provided in Business and Professions Code section 6213(d), which incorporates the definition of lower income households from Section 50079.5 of the Health and Safety Code.<sup>2</sup> VLI expects 2020 expenditures to be at or greater than these levels based on the current and anticipated demand for VLI’s services.

In item 3, the Commission asked for “[i]nformation regarding the [September]<sup>3</sup> 2018 fundraiser for VLI’s spinoff organization, Center for Law and Military Policy, including promotional materials for the event, staff time and other costs associated with the fundraiser.” **Tab 3** contains (1) a chart breaking down the total income, expenses, and net funds raised in connection with the September 2018 fundraiser; and (2) a promotional flyer raising awareness for sponsorship opportunities for interested donors.

In item 4, the Commission asked for “[d]ocumentation or contract/agreements related to the transfer of money from the [September] 2018 fundraiser to the spinoff organization.” VLI includes in **Tab 4** copies of the checks constituting payment to the Center for Law and Military Policy (“CLMP”). Please note that the contract between VLI and CLMP is confidential, and VLI is contractually precluded from sharing it. We trust this will not be an issue for the Commission, but please let us know if it is so we can discuss how to provide you with the information you need without violating VLI’s contractual obligations.

As subpart (a) of item 4, the Commission asked for “[d]ocumentation/explanation of where the \$140,000 came from. Can the \$140,000 or any significant part of the \$140,000 be specifically tied to monies raised at the [September] 2018 fundraiser?” **Tab 4(a)** includes a copy of a check for \$80,000 from the Rothenbuehler Foundation, which constituted funds that VLI earmarked specifically for payment to CLMP.

<sup>2</sup> These percentages are based the number of indigent clients served divided by the total number of clients served, which VLI believes is a reasonable approximation of ultimate qualified expenditures.

<sup>3</sup> Ms. Doan’s November 25 email referenced a November 2018 fundraiser. We believe the fundraiser she intended to reference is the one held in September 2018.

December 3, 2019  
Page 3

As subpart (b) of item 4, the Commission noted that “[a]t Friday’s meeting, KellyAnn referred to receiving a copy of documentation of the spinoff organization’s non-profit status in [or] around December 2018; can you also provide a copy of this documentation?” **Tab 4(b)** contains that documentation.

In item 5, the Commission asked for “[d]ocumentation to support reasoning for amortization chosen (5% of total-\$7000 per year) and documentation to support on-going provision of benefits to VLI by the spinoff organization.” We are not aware of any specific literature supporting the particular amortization schedule that Mr. Zhang used for the \$140,000 pass-through payment. This is because, as accounting scholars have noted, developing an amortization schedule of expenditures on intangible assets “is a challenge” given their speculative nature, and should be approached “in a way that helps rather than hinders the analyst who wishes to value the firm.” **Tab 5**, Stephen Penman, “Accounting for Intangible Assets: There is Also an Income Statement,” 45 *ABACUS* 358, 365, 370 (2009); *see also id.*, Gabriel A.D. Preinriech, “Valuation and Amortization,” 12 *The Accounting Review* 209, 210 (1937). Accordingly, Mr. Zhang used his experience to determine that a 20-year amortization was reasonable and appropriate in order to minimize the impact on VLI’s financial reporting in any given year, and VLI reasonably relied on Mr. Zhang.<sup>4</sup> Had the one-time payment been made to a for-profit entity rather than a non-profit, then the payment likely would have been treated as an investment and amortized in a similar way. Mr. Zhang remains available to answer any questions the Commission may have about his audit.

In item 6, the Commission asked for “[a]ny reference or source documentation to support the practice of amortization for donations to another nonprofit.” **Tabs 5 and 6** contain several academic articles that discuss amortization of expenditures on intangible assets, a practice that is described as “very much alive.” **Tab 5**, Penman, “Accounting for Intangible Assets” at 370. *See also* **Tab 6**, Catherine L. Hammond, “The Amortization of Intangible Assets: § 197 of the Internal Revenue Code Settles the Confusion,” 27 *Conn. L. Rev.* 915 (1995) (noting that amortization is proper for any intangible asset that “has an ascertainable value, a limited useful life the duration of which may be estimated with reasonable accuracy, and is not self-regenerating”).

The Commission also requested the following “additional documents”: (1) “[c]opies of agendas and minutes for all board meetings in 2018 and 2019 (to date),” which can be found in **Tab 7**; (2) VLI’s 2018 and 2019 Client Eligibility Guidelines,<sup>5</sup> which can be found in **Tab 8** (and are the same for both years); and (3) VLI’s eligibility screening procedures for clients, which can be found in **Tab 9**.

<sup>4</sup> Notably, even if a much shorter amortization period had been used, more than 50% of VLI’s expenditures still would have qualified under Business and Professions Code section 6213(d) and State Bar Rule 3.672(A).

<sup>5</sup> In setting its eligibility guidelines, VLI uses two alternative guidelines. The first is the definition of “indigent” set forth in State Bar Rule 3.672(a). The second is an expanded eligibility guideline, which takes into account the veteran’s level of disability assistance, which may otherwise disqualify him or her from free legal services.

December 3, 2019

Page 4

**Responses to Supplemental Questions**

Below, we have reproduced each of the Supplemental Questions submitted to VLI by the Commission in *italicized* font. VLI's responses to each question follow immediately in regular font.

1. *Was Dwight Stirling an employee of VLI at any time in 2018? If yes, were all of Mr. Stirling's activities as an employee of VLI in 2018 for the provision of free civil legal services for indigent persons as defined in Business and Professions Code section 6213(d) and State Bar Rule 3.672(A)? If Mr. Stirling did not expend all of his time providing free civil legal services as defined in Business and Professions Code section 6213(d) and State Bar Rule 3.672(A), please provide the portion of Mr. Stirling's salary and related non-personnel cost for the non-qualifying work in 2018. Please also explain how the cost was calculated.*

Mr. Stirling was an employee of VLI for eight months in 2018. His official activities during those eight months related to the provision of free civil legal services to VLI's veteran clients. It was through his work for indigent veterans that Mr. Stirling observed that victims of military sexual trauma faced systemic barriers that prevented them from seeking effective legal recourse. His think tank (which ultimately became the spin-off entity, CLMP) was born out of that observation. To the extent he spent time developing the think tank as part of his PhD research, he did so largely on his own time and with the help of unpaid volunteers. As the Commission undoubtedly knows, it is not uncommon for an employee or officer of a pro bono provider to have outside public interests to which he or she dedicates some time. At most, Mr. Stirling spent a *de minimis* amount of time laying the groundwork for the discussion forum that CLMP would later provide to military sexual trauma survivors. After Mr. Stirling's departure from VLI on August 31, 2018, no work was done for CLMP.

2. *At the November 22 LSTFC meeting, we believe that VLI staff stated that the "think tank" work was new activity for the spinoff organization, and that such work was not performed by VLI prior to the spin off. However, in VLI's communication to staff regarding the 2018 monitoring visit and in review of the 2019 application (in 2018), staff understood that think tank activities were ongoing before the split. Additionally, on page 13 of Mr. Garner's September 27, 2019 letter, he indicates that the decision to spin off think tank activities was "due to the development and growth of a veterans think tank within VLI[.]" This suggests that VLI engaged in think tank work in 2018. What think tank activities did VLI engage in in 2018 and 2019? Does VLI consider all or any of its "think tank" work in 2018 qualifying under Business and Professions Code section 6213(d) and State Bar Rule 3.672(A)? If yes, please explain why it is qualifying? If no, please calculate the personnel and non-personnel cost associated with these activities in 2018 and explain how the cost was calculated.*

VLI does not take the position that Mr. Stirling's think tank work is qualifying under Business and Professions Code section 6213(d) or State Bar Rule 3.672(A). However, as stated above, Mr. Stirling's official activities during the eight months of his employment with VLI were

December 3, 2019

Page 5

qualifying activities. Any time Mr. Stirling spent working on his think tank while at VLI was so *de minimis* that quantifying it would be impracticable.

3. *Please describe all fundraising activities for VLI in 2018 and 2019 (to date).*

VLI is a grassroots organization, and fundraising includes individual donations, events, and grant awards. In 2018, VLI hosted two main fundraising events, Lawyers for Warriors in April and a Gala in September. Also in 2018, VLI was a partial beneficiary from third parties of a Freedom Bowl in June, the annual golf tournament of the Association of the United States Army in September, and Patriots Promise in November. In 2019, VLI hosted Lawyers for Warriors in September and was the partial beneficiary for Patriots Promise in November. Ongoing grant awards in 2018 and 2019 included the State Bar, the County of Orange in conjunction with CalVet, The Orange County Bar Association Charitable Fund, Judicate West, Edison, and Bank of America.

4. *Any and all previous work conducted by Mr. Zhang for VLI in the past 5 years.*

Mr. Zhang's company, HZ CPAs & Advisors, performed VLI's audit for the years ended December 31, 2016 and performed audit and tax filing for the years ended December 31, 2017 and 2018. Mr. Zhang and his company have not at any time provided to VLI non-audit services, including bookkeeping, financial information systems design and implementation, appraisals or valuation services, actuarial services, internal audit outsourcing services, management functions or human resources, investment advising, or legal or non-audit expert services. *See* <https://www.sec.gov/info/accountants/audit042707.htm> (listing prohibited non-audit services).

5. *Documentation of/explanation of estimated percentage of qualified expenditures in 2019 and 2020 spent on the provision of free legal services to indigent (as defined by the IOLTA statute), in California.*

As set forth in detail in Tab 2 (referenced above), the percentage of 2019 expenditures (using data from the first three quarters of 2019) is approximately (1) 60% if VLI uses the definition of indigence as provided in State Bar Rule 3.672(a), or (2) 76% if VLI uses the expanded definition of indigence as provided in Business and Professions Code section 6213(d). VLI expects 2020 expenditures to be at or greater than these levels based on the current and anticipated demand for VLI's services.

\* \* \*

We hope this information is helpful in the Commission's review of VLI's application and, in particular, its determination of whether VLI met the State Bar's primary purpose calculation for grant year 2020. We remind the Commission, however, that the issues surrounding VLI's audited financial statements – and questions about the independence and qualification of VLI's auditor, Jinhong Zhang of HZ CPAs & Advisors, P.C. (based in Buena Park, California) – only became relevant after State Bar staff concluded that VLI's one-time asset transfer to the spinoff entity did not constitute a "pass-through" under the State Bar's Application Instructions, and instead had to be counted as an expense in performing the primary purpose calculation. As



December 3, 2019

Page 6

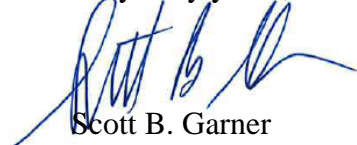
quoted to the Commission previously, those Application Instructions (the only place we are aware of “pass-through” being defined by the State Bar) define a pass-through as:

[f]unds that are passed through from the applicant to another organization, for which the applicant has no involvement, oversight, or engagement in the execution of the funded work (e.g. program simply cuts a check to another organization but is not involved in decision-making and does not have oversight responsibilities. . . .

Of course, as we previously pointed out and discussed further at the November 22 Commission meeting, this precisely describes the one-time payment and the relationship between VLI and the newly created spinoff. Indeed, the very section of the Application Instructions discussing pass-through entities appears to have been included precisely for this situation: “This section has been created in response to concerns that pass-through funds should be considered outside of the primary purpose calculation.” If the Commission agrees that the payment at issue qualifies as a pass-through, then the issues surrounding the amended audit (which VLI only undertook after State Bar staff rejected treatment of the payment as a pass-through) become moot.

Please let us know if there is any additional information that would be helpful to the Commission as it reconsiders VLI’s application. We look forward to your response so that VLI can continue serving its important and unserved client population.

Very truly yours,



Scott B. Garner  
Umberg Zipser LLP

cc: Doan Nguyen

**Tab 3 – September 2018 Fundraiser for Center for Law and Military Policy***Re: Supplemental Information In Support of VLI's Reconsideration Request*

<b>Income</b>	
Sponsorships	\$110,500
Underwriting	\$6,000
Individual Tickets	\$21,250
Donations	\$6,450
Auction, Opportunity, Fund a Need	\$64,921
Rothenbuehler Foundation	\$80,000
<b>TOTAL INCOME</b>	<b>\$289,121</b>
<b>Expenses</b>	
Venue, Food and Beverage	\$39,473
Printing and Postage	\$1,149
AV, Video, Photography	\$7,465
Auction Fees and Supplies	\$2,912
Band	\$1,000
Credit Card Fees	\$2,469
Insurance	\$190
<b>TOTAL EXPENSES</b>	<b>\$54,658</b>
<b>TOTAL NET</b>	<b>\$234,463</b>



# The State Bar of California

01/22/2020

**Eligibility Category:** LSP

**Grant Year:** 2020

**Due Date:** June 3, 2019 at 5:00pm PST

Prepared by: [KellyAnn Romanych](#)

Funding Opportunity: **IOLTA LSP**

Email: [kromanych@vetslegal.com](mailto:kromanych@vetslegal.com)

Project Title: **2987-IOLTA LSP-2020-Veterans Legal Institute-251**

Contact Phone: **818-219-1916**

Program Name: **Veterans Legal Institute**

Applicant Title: **Deputy Executive Director**

Address: **2100 N. Broadway, Ste. 209**

City: **Santa Ana**

I verify the information in the Organization Profile is accurate and up-to-date.

I verify that I have read, and am familiar with, the eligibility guidelines for IOLTA funding for legal services projects.

## I. Eligibility Criteria

### 1. New or Previously Funded Applicant

Reapply for Funding as a Legal Services Project

### 2. Applicant Type

A nonprofit corporation that provides civil legal services to the indigent without charge as its primary purpose and function

Upload a letter of support from the law school dean describing the history of the law school clinical program.

### 3. Applicant Eligibility



01/22/2020

Select all that apply

**Upload an LSC grant award letter or a subcontract showing the amount of LSC funds awarded through another agency.**

**Upload a contract, determination letter, or subcontract indicating the amount of Older Americans Act funds awarded.**

An organization that receives at least \$20,000 annual cash funds from sources other than the State Bar of California to support free legal representation to indigent persons (as reflected in the Total of Non-State Bar Revenue calculated on Form VI) and can show community support for the program

**A. Community Support:** Since its founding in 2014, Veterans Legal Institute (VLI) has developed and received a wide range of ongoing community support which includes: individual donations; well-attended new and annual events; funding from collaborative organizations; and state and foundation grants.

Describe the community support for the operation of a viable, ongoing program.

In addition to IOLTA EAF funding, top funders in 2018 included:  
 UC Irvine Law School/Nicholas Endowment (\$65,000)  
 Rothenbuehler Foundation (\$65,000)  
 Volunteers of America Los Angeles, Orange County (\$40,000)  
 Equal Justice Works, AmeriCorps (\$24,930)  
 Orange County Bar Association Charitable Fund (\$22,000)

VLI continues to collaborate with over 70 organizations through leadership in the Orange County Veterans and Military Families Collaborative. Outcomes range from securing housing, employment, education, and community outreach.

VLI remains a partner in the Strong Families, Strong Children collaborative. SFSC is a consortium of five nonprofit partners bringing together a coordinated, community-based approach to provide an array of support services to under-



01/22/2020

served OC veteran and military families with 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.

Moving forward for fiscal year 19/20, The California Department of Veterans Affairs (CalVet), Veterans Services Division awarded a third year grant to the Orange County Veterans Service Office and VLI to provide a continuing mobile legal clinic using Proposition 63 funds. Further, using the successful model from Orange County VSO, CalVet awarded additional Proposition 63 funding to the Veterans Service Offices in Riverside and San Bernardino counties for VLI mobile legal clinics to expand coverage to veterans in the Inland Empire who are lacking resources.

Last, VLI and Jamboree Housing are on schedule for providing onsite legal services for up to 75 veterans who will be residing in Jamboree Housing's Santa Ana Veterans Village. The groundbreaking ceremony was held in 2018, and the village will include wrap around services in basic needs for veteran residents. Further, Jamboree Housing continues to be a sponsor of VLI events and its employees regularly volunteer.

**b. Which of the following services does your organization provide?:** Provides legal representation, training, or technical assistance on matters concerning indigent special client groups, or substantive law important to special client groups



01/22/2020

## Special Client Group(s) Served

	Nature of Assistance		
Special Client Group Served/ Relevant Substantive Law	Legal Representation	Training	Technical Assistance
Veterans	Yes	No	No
Veterans Benefits	Yes	No	No
Military	Yes	No	No
Low Income/Economically Disadvantaged	Yes	No	No
Homeless	Yes	No	No
Disabled	Yes	No	No
Justice Involved	Yes	No	No
Housing	Yes	No	No
Employment	Yes	No	No
Healthcare	Yes	No	No
Consumer Law	Yes	No	No
Family Law	Yes	No	No

## II. Description of Organization

Provide a comprehensive but concise description of the entire organization's work in the previous calendar year. Do not limit responses to activities funded by the State Bar of California. Suggested word count range for each of the following questions is 250-500.

Click "Save & Finish Later" after adding counties.



01/22/2020

County

Los Angeles

Orange

## 1. Organization's Mission and Vision

Veterans Legal Institute (VLI) is a 501(c)(3) organization that provides pro bono legal assistance to homeless, disabled, low-income, and at-risk current and former US service members to eradicate barriers to housing, employment, education, and healthcare to foster self-sufficiency.

VLI's enduring vision is to use its core values of outreach, compassion, quality, leadership, and empowerment to greatly reduce veteran homelessness and suicide.

## 2. Core Programs

Describe the organization's core programs as reflected in promotional materials (include a summary of all work, not just activities funded by State Bar monies).



01/22/2020

Veterans Legal Institute's core programs are in direct legal services to clients, increasing the number of highly capable professionals in veterans law, and providing collaborative leadership so vulnerable veteran clients can realize the full potential of human services in Southern California. Given unique and significant barriers to resources to veterans, including post traumatic stress disorder, traumatic brain injury, and military sexual trauma, VLI provides several opportunities for veterans to access pro bono legal services. Veterans can apply online, call the office and speak directly to a person, or attend one of VLI's many mobile legal clinics at strategic veteran hotspots. Mobile clinic locations include: the Veterans Administration Hospital in Long Beach, Starbucks Coffee in Santa Ana, Saddleback College, the City of Mission Viejo, North County Vet Center in Garden Grove, and the Orange County Veterans Service Office. As well to serve the growing needs of clients, VLI hosts family law and veterans benefits clinics in the office which are booked a month in advance.

Areas of law include (but are not limited to) discharge upgrades, VA pensions and healthcare access, landlord/tenant issues involving evictions, family law, and restoring driver's licenses. VLI completes all legal work in house and leverages pro bono attorney specialists when needed from a variety of firms. For clients who do not meet income requirements, they are provided general advice and referred to attorneys who are veteran advocates. No client ever receives a bill or leaves empty handed.

To expand the quantity and quality of highly trained legal professionals and veteran advocates, VLI is active in leadership and education. Throughout the year, VLI hosts clerks, interns, and fellows and presents veterans benefit law courses to increase the network of highly capable pro bono attorneys available to clients. As a result, the State of California recognizes VLI as a "multiple activity provider" in continuing attorney education.

### 3. Client Population

Describe the constituencies served by the organization. Include demographic information, such as age, gender, ethnicity, income levels, and any other characteristics particular to the service population.





01/22/2020

Veterans Legal Institute serves homeless and low income veterans who require free legal aid to be self-reliant as they live with unique injuries such as traumatic brain injuries, PTSD, and military sexual trauma. Our clients are 19 to 99 years old with households ranging from 1 to 8 family members. Many earn less than \$1,500 a month. Those in college live frugally off benefit allowances, couch surf, or live in cars. VLI serves clients across Southern California with the top four cities being Santa Ana, Anaheim, Long Beach, and Los Angeles. In addition, according to the 2016 Census, Orange County clients face the highest median rent (\$1,548/month) when compared to veterans across Southern California.

#### 4. Income Eligibility for Services

Describe how the organization verifies and documents an individual's income eligibility for services. Identify all income criteria and guidelines used to establish eligibility for services.

Veterans Legal Institute defines low income on the current living conditions of clients. These conditions include: homeless, couch surfing, living in cars, being evicted, disabled and unemployed, and underemployed. Most clients who do have income are earning less than \$1,500 a month. Veterans Legal Institute verifies qualification by requesting income information on intake form, corroborating information when available from other service organizations, and the current living conditions of client. Service organization paperwork includes Section 8 housing authority, SSI, Medi-Cal, and VA benefits such as "helpless child."

7/1/2019 revision:

Can you confirm that VLI screens for eligibility based on indigency as defined by B&P 6213(d)? Yes. VLI requests clients to disclose their income amounts and sources and uses the indigent income table available on Smart Simple. The table and requirements are discussed and shared with staff in regular meetings, as well as in daily use during intakes and at reporting time. As well, VLI continues to receive referrals from other collaborating organizations that work with homeless and indigent clients.



01/22/2020

## 5. Programmatic Activities

Select all the programmatic activities the organization engaged in during the previous calendar year. Do not include fundraising and administrative activities (Eligibility Guidelines 2.3).

**A. Legal Services** Community legal education and information, Limited services, Legal self-help  
**Activities:** support, Representation

**Describe Other:**

### B. Other Activities:

**i. Legal Services:** Provided outside of California, Provided to non-indigent clients/non-qualified organizations

**Under which funding sources did you serve these clients?:** Foundation, Other/Unrestricted

**ii. Other Services:**

**Describe Other Non-Legal Services:**

**A. Total number of impact litigation cases (include partner/co-counsel cases):**

Report all impact litigation cases your organization engaged in during the evaluation year, both open and closed.



01/22/2020

**B. Total number of  
advocacy activities:**

Report all advocacy activities your organization engaged in during the evaluation year, both completed and ongoing.

**C. Summarize  
Additional Activities:**

If you engaged in more than 10 advocacy activities or more than 15 impact litigation cases in the previous calendar year, briefly summarize the nature of these additional activities.

**Impact Case(s)**

This list will update the next time you save the record.

#	Case Name	Court Name	Case Status	View / Edit Template	Form Status
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**Advocacy Activity(ies)**

This list will update the next time you save the record.

#	Advocacy Activity	Type	Activity Status	View / Edit Template	Form Status
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01/22/2020

## III. Staffing and Volunteers

Staffing as of December 31								
Personnel Category	Full-Time Staff	Part-Time Staff		Total Staffing FTEs	Temporary Staff		Volunteers	
		Number of people	Full-Time Equivalent		Number of people	Total Hours	Number of people	Donated Hours
Attorneys	7	1	0.50	7.50	0	0	0	0
Paralegals	0	0	0.00	0.00	0	0	0	0
Law Students	0	0	0.00	0.00	0	0	0	0
Professional Services	0	0	0.00	0.00	0	0	0	0
Clerical/Admin	1	1	0.50	1.50	0	0	0	0
Other Personnel	1	0	0.00	1.00	0	0	0	0
<b>TOTAL</b>	<b>9</b>	<b>2</b>	<b>1.00</b>	<b>10.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### A. Professional Other personnel:

**Services and Other** Director of Development 1.0 FTE

**Personnel:** Volunteers are assisting in development needs. Duties include board service, graphic design, grant writing, and event support (preparing for and volunteering during and after events throughout the year).

For each position included under Professional Services and Other Personnel, state the title and full-time equivalent of the position(s).

## 2. Use of Non-Legal Professionals



01/22/2020

Describe how the organization utilizes non-legal professionals in its service delivery model.

To provide holistic care, Veterans Legal Institute both receives and refers clients to non-legal professionals for health care, housing, education, and employment needs throughout VLI's collaborative network. This includes licensed clinical social workers and evidence-based mental health professionals.

### 3. How many hours per week does the organization consider a full-time schedule?

40.00

### 4. Staffing and/or Organizational Changes

Describe any significant changes in staffing levels or structure in the previous calendar year, and its impact on programmatic activities. Identify any significant vacancies and explain whether the organization is actively recruiting for the position, or is holding the position for budgetary or other reasons.

In August 2018, former Co-Founder and CEO Dwight Stirling left Veterans Legal Institute to establish another venture. VLI continues under the leadership of Executive Director and Co-Founder Antoinette Balta with support from William Tanner, Managing Attorney and KellyAnn Romanych, Director of Development. VLI was also able to add one additional UC Irvine Law School Legal Fellow for the period of one year.

## IV. Application for Pro Bono Allocation

To qualify for the pro bono allocation in the county(ies) in which the organization provides services, the organization must meet both these requirements (1) coordinate the recruitment of substantial numbers of attorneys in private practice to provide free legal representation to indigent persons or to qualified organizations as its principal means of delivering legal services; and (2) demonstrate that its principal means of delivering legal services is "the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services projects in California" through one of the three tests described in Eligibility Guideline 2.9.



01/22/2020

## 1. Are you applying for the Pro Bono Allocation per the qualifications listed?

If "yes", the organization should annually recruit at least 30 attorneys, OR recruit at least five percent of the licensed attorneys in the county served, OR receive at least 1,000 hours of donated legal services from volunteer attorneys.

Yes

### Pro-Bono Eligibility

#### Los Angeles

In this county, does the organization annually recruit at least 30 attorneys, OR recruit at least five percent of the licensed attorneys in the county served, OR receive at least 1,000 hours of donated legal services from volunteer attorneys in this county?

Yes

POSITION	PAID		VOLUNTEER	
	PEOPLE	HOURS	PEOPLE	HOURS
Attorneys	8	1,731	52	582
Paralegals	0	0	18	102
Law Students	0	0	48	1,330
<b>TOTAL</b>	<b>8</b>	<b>1,731</b>	<b>118</b>	<b>2,014</b>

#### Eligibility Results for Los Angeles county

Test A	NO
Test B	NO
Test C	

In response to the December 20, 2019 letter from Christal Bundang, the narrative has been updated to demonstrate how VLI's principal means of legal services delivery is through the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services



01/22/2020

in California:

Given the vast amount of volunteers VLI has, at times it can be difficult to track all of the volunteer hours it receives, so we are unable to provide specific percentages. That said, we are confident that VLI would meet test B requirements given the number of volunteer-led clinics. For that reason, VLI's volunteer hours are always under-reported or conservatively reported.

Since inception, VLI has always leveraged a significant number of pro bono attorneys, paralegals, and law clerks to paid staff.

In 2018, VLI conservatively estimates 52 attorneys provided over 3061 hours to all indigent clients in all counties. The numbers provided in the table are a conservative estimate of pro bono legal services provided to indigent clients in LA County. At least 58% of VLI's clients are indigent living in California. This number jumps to 62% if including indigent veterans from out of state that have no other recourse for free legal aid, especially for veterans benefit and military sexual trauma. LA County clients represent approximately 19% of this 58% indigent client total. No less than 30 pro bono attorneys are directly attributable to indigent clients in Los Angeles County.

All of the attorneys we recruit have special expertise needed to provide services. All have a military connection in being former service, military family members and veteran advocates. Moreover, many have specialized JAG experience. As a result, they understand the impact of military service on transitioning successfully to civilian life. Many are at the top of the profession in litigation and mediation in top requests for service in family law, veterans benefits, immigration, consumer, and housing law. Further, these attorneys are available to travel to and attend over 40 clinics dates for innovative strategic outreach clinics from the Veterans Administration Hospital in Long Beach through locations in Orange County as described in this application. In addition, pro bono attorneys have provided free legal services by accepting clients from case listings.

In 2018 we increased paid staff hours to keep up with demands for service and to need to place more cases with PBI attorneys with legal expertise.



01/22/2020

Beyond pro bono attorney, paralegal, and law clerk hours, in 2018 VLI conservatively estimates an additional 305 hours from legal assistants and 135 hours from office assistants working directly on indigent cases in LA county.

## STAFF VIEW ONLY

### Pro-Bono Allocation Eligible:

## Orange

In this county, does the organization annually recruit at least 30 attorneys, OR recruit at least five percent of the licensed attorneys in the county served, OR receive at least 1,000 hours of donated legal services from volunteer attorneys in this county?

Yes

POSITION	PAID		VOLUNTEER	
	PEOPLE	HOURS	PEOPLE	HOURS
Attorneys	8	3,550	52	1,194
Paralegals	0	0	18	210
Law Students	0	0	48	2,731
<b>TOTAL</b>	<b>8</b>	<b>3,550</b>	<b>118</b>	<b>4,135</b>

## Eligibility Results for Orange county

Test A	NO
Test B	NO
Test C	

In response to the December 20, 2019 letter from Christal Bundang, the narrative has been updated to demonstrate how VLI's principal means of legal services delivery is through the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services in California:

Given the vast amount of volunteers VLI has, at times it can be





01/22/2020

difficult to track all of the volunteer hours it receives, so we are unable to provide specific percentages. That said, we are confident that VLI would meet test B requirements given the number of volunteer-led clinics. For that reason, VLI's volunteer hours are always under-reported or conservatively reported.

Since inception, VLI has always leveraged a significant number of pro bono attorneys, paralegals, and law clerks to paid staff. In 2018, VLI conservatively estimates 52 attorneys provided over 3061 hours to all indigent clients in all counties. The numbers provided in the table are a conservative estimate of pro bono legal services provided to indigent clients in Orange County. At least 58% of VLI's clients are indigent living in California. This number jumps to 62% if including indigent veterans from out of state that have no other recourse for free legal aid, especially for veterans benefit and military sexual trauma. Orange County clients represent approximately 39% of this 58% indigent client total. No less than 30 attorneys are directly attributable to indigent clients in Orange county.

All of the attorneys we recruit have special expertise needed to provide services. All have a military connection in being former service, military family members and veteran advocates. Moreover, many have specialized JAG experience. As a result, they understand the impact of military service on transitioning successfully to civilian life. Many are at the top of the profession in litigation and mediation in top requests for service in family law, veterans benefits, immigration, consumer, and housing law. Further, these attorneys are available to travel to and attend over 40 clinics dates for innovative strategic outreach clinics from the Veterans Administration Hospital in Long Beach through locations in Orange County as described in this application. In addition, pro bono attorneys have provided free legal services by accepting clients from case lists.

In 2018 we increased paid staff hours to keep up with demands for service and to need to place more cases with PBI attorneys with legal expertise.

Beyond pro bono attorney, paralegal, and law clerk hours, in 2018 VLI conservatively estimates an additional 627 hours from legal assistants and 277 hours from office assistants working



01/22/2020

directly on on indigent cases in Orange county.

**STAFF VIEW ONLY**

**Pro-Bono Allocation Eligible:**

**A. Non-Attorney** Veterans Legal Institute uses volunteers who are not attorneys in all three functional areas of

**Volunteers:** legal services, management/administration, and fundraising. In legal services, volunteers will meet and greet clients at the office and clinics, put them at ease, and help them begin intake process. As well, volunteers will input data and maintain files. Qualified volunteers will do legal research and support preparing documents while under supervision. In management, qualified and experienced volunteers help manage human resources for both paid and volunteer staff. With fundraising, qualified and experienced volunteers will seek sponsor and auction item support prior to events, events, research and write grants, write other outreach documents, and support social media.

Describe how your organization utilizes volunteers who are not attorneys.

## 2. Tracking Volunteer Hours

Describe how the organization obtains and maintains information about hours of service donated by volunteers. If the organization does not have written documentation corroborating the legal services hours reported, explain the basis of the reported figures. For example, if the organization relies upon estimates, provide the elements that were factored into the calculations.

Volunteers hours are tracked by survey, by planning documents, through PRIME, and by email correspondence.

## 3. Legal Services Staff Hours

If the applicant does not count all staff hours worked as legal services hours, for each paid staff position, explain the method used to calculate the number of legal services hours and, with respect to each county, describe the general nature of the non-legal services activities.



01/22/2020

With the exception of Co-Founder Balta, all paid legal staff hours worked in 2018 were legal service hours. In order to meet development, recruiting, leadership collaborations, and fundraising obligations, Co-Founder Balta spent 80% of her time on nonlegal service activities. Time is generally divided between the counties at 97% in Orange County and 3% in Los Angeles County. These calculations were based on office and majority of clinics being in Orange County. The Veterans Administration Hospital Long Beach Clinic, within Los Angeles County, is five hours out of a 160 hour month.

## V. Quality Control Review

### 1. Quality Control Report

Has the organization received a written quality control review from the Legal Services Corporation, the California Department of Aging, or an Area Agency on Aging in the previous calendar year?

No

### 2. Legal Services Staff Supervision

Describe how legal services staff are supervised to ensure quality service. Identify supervisory personnel and provide information regarding their oversight (frequency of case management meetings, etc.). If there is only one staff attorney or the organization only employs contract attorneys, describe how oversight and quality control are ensured.

Case management conferences are held weekly, with staff attorneys, pro bono attorneys and law clerks updating Mr. Tanner on their caseloads and receiving advice and guidance on strategy, tactics, and client interaction.

### 3. Volunteer Supervision

Describe the method(s) by which volunteers (attorneys, paralegals, and law students) are supervised. If the organization does not actively supervise volunteers or review their work product, how does the organization ensure compliance with its quality standards?

Managing Attorney William Tanner interacts with the volunteers on a daily basis. In his absence, staff attorney and Equal Justice Works AmeriCorps Legal Fellow Allison Higley provides daily oversight.



01/22/2020

#### 4. Describe case opening and closing oversight practices.

Applications are assigned to staff members or volunteers, who contact the applicants to receive a background of the facts and circumstances of the case. Mr. Tanner is then briefed on the application, who decides whether to accept it or not. As to closing, when the work has been completed for a client, the pertinent staff member or volunteer meets with Mr. Tanner, who ensures a closing letter is sent, the client is advised as to all work performed, next steps, and how to obtain the physical file/s, and the file/s are added to the comprehensive filing system.

## VI. Sources of Funding

Use the table below to itemize the organization's sources of funding in the calendar year 2018.

Enter the cash amount received for each funding source. Do not include State Bar monies.

- Under Foundations, list the largest three grants by organization, and then add the remaining amounts together under Other Foundation Funding.
- Under Government Resources, for each Federal, State, and Cities and Counties, list the largest three grants by agency, and then add the remaining amounts together in the corresponding Other field.

### Sources of Funding

Source	Amount Received
Individual Contributions	
Attorneys/Private Donors/Individual Gifts	\$27,376
Event Sponsorship/Special Events	\$263,984
Other	\$0
Total	\$291,360



01/22/2020

Organizations	
Bar Associations	\$22,000
Law Firms	\$0
Law Schools	\$71,429
Other, including subgrants from nonprofits	\$77,074
Total	\$170,503
Foundations	
Rothenbuehler Foundation	\$80,000
Hoag Hospital Foundation	\$12,000
Fidelity Charitable Foundation	\$15,000
Other Foundation Funding	\$49,500
Total	\$156,500
Legal Services Corporation	\$0
Area Agency on Aging	\$0
Total	\$0
Government Resources	
Federal (not LSC or OAA)	\$0
	\$0
	\$0
Other Federal Funding	\$0
State	\$0
	\$0
	\$0
Other State Funding	\$0
Cities and Counties	



01/22/2020

County of Orange	\$34,236
City of Mission Viejo	\$3,500
City of Tustin	\$1,558
Other City and County Funding	\$0
Total	\$39,294
Residual and Cy Pres Awards	
State Court	\$0
Federal Court	\$0
Total	\$0
Fees and Reimbursements	
Attorneys' Fees	\$0
Client-Paid Amounts	\$0
Cost Reimbursements	\$0
Other Professional Fees	\$0
Total	\$0
Other Cash Support	
Rent Revenue	\$0
	\$0
	\$0
	\$0
	\$0
Total	\$0
TOTAL OF NON-STATE BAR REVENUE	\$657,657



01/22/2020

**A. Other Funding:** Notes:

Itemize sources included in any "other" line items listed in the Sources of Funding table

The following adjustments were made to reasonably fill the table using the 2018 audit and 2018 banking records:

Individual contributions: \$393,673 (audit) - \$366,297 (aggregate of orgs, foundations, and govt in table) = \$27,376

Event contributions: \$303,964 (audit) - \$39,980 (2018 IOLTA/EAF monies required to exclude) = \$263,984

Other foundations:

Sunwest Bank Foundation \$5,000

Crean Foundation \$5,000

California Scottish Rite \$5,500

Judicate West Foundation \$10,000

Orange County Charitable Foundation \$5,000

John H. Grace Foundation \$5,000

Shady Canyon Golf Charitable Foundation \$8,000

Schwab Charitable Foundation \$6,000

Subtotal other foundations: \$49,500

Other nonprofits:

Volunteers of America \$34,000

Equal Justice Works AmeriCorps \$29,074

Child Guidance Center \$7,000

Working Wardrobes \$7,000

Subtotal other nonprofits: \$77,074

## VII. Total Corporate Expenditures

Organization's Fiscal Year End: December 31

### 1. Upload Audited or Reviewed Financial Statement Ended in the Previous Year



01/22/2020

Applications must include the audited or reviewed financial statements for the organization's fiscal year ending in 2018; Qualified expenditures will be calculated based on this document. The organization is required to submit a current audited or reviewed financial statement as soon as possible and no later than May 1, 2019. (See Application Instructions for further details and information.)

**Veterans\_Legal\_Institute's\_2018\_Audited\_Financial\_Statements\_\_(1).pdf**

494.5 KB - 07/11/2019 10:37am

**Veterans\_Legal\_Institute\_2018\_Audit\_Report.pdf**

169.2 KB - 05/09/2019 3:50pm

Total Files: 2





01/22/2020

## Total Corporate Expenditures

NON-CASH	Expenditures
In-Kind/Donated Services	\$107,747
Unrealized Losses	\$0
Other	\$0
Total Non-Cash Items	\$107,747
PASS-THROUGH / FISCAL SPONSOR	Expenditures
Pass-through	\$142,300
Total Pass-through	\$142,300
PERSONNEL	Expenditures
Lawyers	\$294,383
Paralegals	\$0
Other Staff	\$73,669
Subtotal	\$368,052
Employee Benefits	\$82,232
Total Personnel	\$450,284
NON-PERSONNEL	Expenditures
Space	\$29,670
Equipment Rental and Maintenance	\$0
Office Supplies and Small Equipment	\$9,862
Printing and Postage	\$10,492
Telecommunications	\$4,064
Technology	\$0
Program Travel	\$1,620
Training	\$0
Library	\$3,284
Insurance	\$4,456



01/22/2020

Audit	\$5,000
Litigation	\$0
Depreciation	\$1,538
Contract Service to Clients	\$0
Contract Service to Program	\$12,852
Other	\$11,097
Total Non-Personnel	\$93,935
TOTAL EXPENDITURES (Personnel + Non-Personnel +Non-Cash+Pass-through)	\$794,266
TOTAL QUALIFIED CORPORATE EXPENDITURES (Personnel + Non-Personnel)	\$544,219

**Please itemize all expenses included under Depreciation.**

Depreciation \$1538 for furniture and equipment was depreciated.

**Please itemize all expenses included under Contract Service to Program.**

Legal fees \$5352

Professional fees \$7500

**Please itemize all expenses included under Other (Non-Personnel).**

Other:

\$484 Advertising expenses

\$6068 Programs (backgrounds, facilities and equipment, operations, and insurances)

\$4545 Management and general (contract services in email migration, HR consulting support, and furniture moving). This is shown as \$9545 on audit and \$5,000 of these dollars were moved to line item for audit.

\$11,097 Total for Other



01/22/2020

### 3. Explain Any Variance

If your organization's reported corporate expenditures do not align with your organization's uploaded audit, please explain the variance.

NA

## VIII. Qualified Expenditures

Qualified Expenditures		
Questions	Amount	Explanation
1. Total Corporate Expenditures from the previous fiscal year	\$544,219	



01/22/2020

2. Did the corporation engage in activities other than the delivery of legal services?	\$37,156	<p>The following are revisions and deductions requested in December 20, 2019 letter from Christal Bundang:</p> <p>1. 20% salary deduction for Dwight Stirling: \$6,000/mo x 8 months x 20% = \$9,600</p> <p>2. 48% of fundraising expenses: \$54,658 x 48% = \$26, 236</p> <p>3. Staff time on fundraising: The September fundraiser was the outcome of a 45 member committee composed of entirely unpaid volunteers whose time did not overlap with pro bono attorney time. Staff time would have been limited to Antoinette Balta and KellyAnn Romanych. Because of the overwhelming support of the committee, approximately 2% of their time would have been spent on fundraising activity for this event, with approximately 1% of benefit for the think tank.</p> <p>Antoinette Balta: \$72,000 x 1% = \$720 KellyAnn Romanych: \$60,000 x 1% = 600</p> <p>Total: \$37,156</p>
3. Did the corporation lease or sublease space to another organization?	\$0	N/A
4. With regards to leased or subleased space, did the organization incur property management expenses, whether as primary owner or lessor?	\$0	N/A
5. Did you provide legal services in criminal matters?	\$0	All cases in 2018 met the definition of civil legal matters
6. Did you charge clients for any legal services in civil matters, other than requiring payment for costs and expenses or processing fee of \$20 or less?	\$0	VLI does not charge clients for legal services



01/22/2020

7. Did you provide any free civil legal services to persons who were not indigent as defined in B & P Code Section 6213(d) and Eligibility Guidelines 2.3.3 and 2.3.4, or to organizations not providing benefits primarily on behalf of indigent?

\$190,477

For this line item, the calculations are for CA non-indigent clients only.

Total CA indigent cases: 1711

Total CA non-indigent cases: 1034

Total CA active cases: 2745

Total Active Cases (in state and out of state): 2940

CA non-indigent / Total active cases = 1034 / 2940 = 35%

$\$544,219 \times 0.35 = \$190,477$

8. Did you provide free civil legal services outside California?

\$32,653

For this line item, all out of state client who were indigent and non-indigent are included in the \$32,653.

Total # of out of state cases = 195

Total # indigent out of state cases = 102

Total # of active cases = 2940

$\$544,219 \times 0.06 = \$32,653$

6% of cases were for clients outside of CA who had no other recourse to free legal services due to military sexual trauma, other veterans benefit issue, or relocation out of state. All casework done through VLI office in Santa Ana, CA.

9. Did your organization incur expenses that did not contribute to the provision of civil legal services to indigent people and that were not itemized above?

\$0 N/A

10. TOTAL EXPENDITURES FOR NON-QUALIFIED ACTIVITIES

\$260,286

11. SUB-TOTAL OF QUALIFIED EXPENDITURES

\$283,933



01/22/2020

## 12. PERCENT OF QUALIFIED EXPENDITURES FOR FREE CIVIL LEGAL SERVICES TO INDIGENT PERSONS

Once you have completed and saved the Qualified Expenditures table above, click the "Save & Finish Later" button below to calculate this percentage.

52.17%

### A. Less than 75% Explanation

If the percentage of expenditures for free civil legal services to indigent persons calculated above is less than 75 percent, explain how the organization meets the primary purpose requirement for funding (B&P §6213(a)).



01/22/2020

Since its founding in 2014, Veterans Legal Institute's mission, by laws, financial guidelines, and case acceptance policies are to provide free legal services to homeless, disabled, low-income, and at-risk current and former US service members. In order to reach the indigent population within the military community, VLI expends on office, website, and maintaining relationships and clinic dates at six off-site veteran hotspots. VLI has always operated from a position of having more volunteer attorneys, paralegals, law students than paid staff. Last year, VLI qualified for the pro bono allocation for 2019.

VLI's outreach through innovative and strategic clinics began early in its founding with the medical-legal partnership at the Veterans Administration Hospital in Long Beach. This monthly clinic generally sees 30-40 medically frail veterans. Since founding, the clinic locations have expanded to include the North County Vet Center in Garden Grove, CA; the Starbucks Coffee house in Santa Ana; Saddleback College (home to over 1200 combat veteran students) in Mission Viejo; the City of Mission Viejo; and the Orange County Veterans Service Office in Santa Ana. In 2019/2020, VLI expects to expand into the Inland Empire by duplicating its model at the Riverside and San Bernardino County Veterans Service Offices where veterans are disproportionately affected by extremely low income levels and high unemployment. VLI continues to stage family law, estate planning, bankruptcy, and veterans benefits clinics in house that bring together professionals from all industries to ensure the indigent veteran population receives access to justice.

At least 75% of VLI's overall client population can be identified as being 75% or less of the maximum levels of income for lower income households in Orange and Los Angeles Counties where VLI primarily operates. These numbers were not counted in the indigent calculations in this application. As VLI becomes more well known in the veteran community and with collaborating organizations, it is attracting more inquiries and applications.

In trying to prevent veteran homelessness, VLI pays particular attention to those at-risk veterans and military families who are on the borderline of low-income who live paycheck to paycheck when they present with pressing legal issues which if unmet could result in becoming homeless or indigent.

### 13. Exchanged Funds

Did the organization exchange funds with another legal services project that is applying for a State Bar grant?

No

### 14. TOTAL DEDUCTION OF EXCHANGED FUNDS



01/22/2020

\$0

### 15. Shriver Funds

Enter funds received for a grant (or subgrant/subcontract) for a pilot project pursuant to the Sargent Shriver Civil Counsel Act of 2009.

\$0

### 16. TOTAL QUALIFIED EXPENDITURES FOR FREE CIVIL LEGAL SERVICES TO INDIGENT PERSONS IN CALIFORNIA

\$283,933

Enter all IOLTA and EAF expenditures for 2018 in 17a and 17b, respectively. This should include any carry-over from 2017

**Reference Button:**

### 17a. IOLTA Expenditures Net of Capital Additions (FISCAL YEAR)

\$15,070

### 17b. EAF Expenditures Net of Capital Additions (FISCAL YEAR)

\$24,910

### 17c. IOLTA AND EAF EXPENDITURES NET OF CAPITAL ADDITION EXPENDITURES (AUTO-CALCULATED)

\$39,980

### 18. GRAND TOTAL NON-STATE BAR QUALIFIED EXPENDITURES FOR FREE CIVIL LEGAL SERVICES TO INDIGENT PERSONS IN CALIFORNIA





01/22/2020

\$243,953

## 19. Upload Any Additional Expenditure Documents

Include any additional documents regarding the information entered in this form.

## VIII-A. Expenditures by County

### GRAND TOTAL NON-STATE BAR QUALIFIED EXPENDITURES FOR FREE CIVIL LEGAL SERVICES TO INDIGENT PERSONS IN CALIFORNIA

\$243,953

## 1. Allocation of Expenditures for Each County

If you provide free civil legal services to indigent persons in more than one county, describe the basis for your by county allocation of expenses and how it relates to the services in each county. Include any calculations or relevant data to support your explanation.



01/22/2020

Veterans Legal Institute is based in Santa Ana, CA and takes care of clients in Los Angeles County who cannot travel the thirty (30) miles to the office through the clinic held at the Veterans Administration Hospital in Long Beach, CA.

VLI 2018 stats:

Total active cases: 2940

Total indigent cases: 1813

Total indigent cases in LA County: 572

Total Indigent cases in Orange County: 943

Total indigent cases for other CA counties served through VLI office: 196

Total indigent cases outside of CA: 102

Total indigent cases qualified for funding:  $1813 - 102 = 1711$

Total indigent OC + other CA county cases / Total indigent cases qualified for funding:

$943 + 196 / 1711 = 67\%$

Total indigent LA county cases / Total indigent cases qualified for funding:

$572 / 1711 = 33\%$

Calculations for table below:

Los Angeles County =  $\$264,783 \times 0.33 = \$87,378$

Orange County =  $\$264,783 \times 0.67 = \$177,404$

7/1/2019 revisions to equally divide the CA out of county cases across OC and LA county per procedure change:

Total indigent OC + 1/2 other CA county cases / Total indigent cases qualified for funding:

$943 + 89 / 1711 = 61\%$

Total indigent LA county cases + 1/2 of other CA county cases / Total indigent cases qualified for funding:

$572 + 98 / 1711 = 39\%$

Calculations for table below:

Los Angeles County =  $\$264,783 \times 0.39 = \$103,265$

Orange County =  $\$264,783 \times 0.61 = \$161,518$



01/22/2020

## 2. New or Discontinued Counties

If applicant is seeking 2020 IOLTA and EAF funds to serve any counties that differ from the counties for which applicant currently receiving 2019 IOLTA and EAF funds, provide information on new and/or discontinued counties. See application instructions for additional details. Enter N/A if not applicable.

N/A

## 3. Out of County Work

Describe any work in county(ies) other than those detailed in the questions above. Include name of county(ies), nature of work, start and/or end date, approximate county expenditures, and any other relevant information.

Because VLI is one of the very few public interest law firms in the nation that is military specific with significant expertise in veterans benefits, clients from the following counties have sought out assistance: El Dorado, Fresno, Glenn, Imperial, Kern, Lake, Marin, Mono, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Santa Maria, Stanislaus, and Ventura. Requests for legal services included veterans benefits, family law, housing, employment, and expungements. The expenditures would be through the VLI office which supports the incoming applications, phone inquiries, and those veterans that are still transitioning into a more permanent residence.



01/22/2020

## Expenditures by County

Previous Fiscal Year Quarterly Reports:

### Los Angeles

County Expenditures (Fiscal year)	IOLTA Expenditures (Fiscal year)	EAF Expenditures (Fiscal year)	Qualified Expenditures
\$110,734	\$2,650	\$4,380	\$103,704

### Orange

County Expenditures (Fiscal year)	IOLTA Expenditures (Fiscal year)	EAF Expenditures (Fiscal year)	Qualified Expenditures
\$173,199	\$12,420	\$20,530	\$140,249

### County Totals

County Expenditures (Fiscal year)	IOLTA Expenditures (Fiscal year)	EAF Expenditures (Fiscal year)	Qualified Expenditures
283933	15070	24910	243953

## IX. Certifications & Assurances

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01/22/2020

**Upload Signed  
Certifications &  
Assurances Document:**

**IX\_\_Certification\_and\_Assurances.pdf**

901.7 KB - 05/31/2019 11:24am

Total Files: 1

### Supporting Documents (Optional)

When naming optional supporting documents, please include the Organization's acronym (or short name) and a 1-5 word description of the file.

**Pro Bono Eligible:** No

**Grant Adjustment:**

**Check Request to  
Finance:**

### Key Documents Review (Org. Profile)

**IRS Determination  
Letter:**

**Veterans\_Legal\_Institute\_\_\_Tax\_Exempt\_Status.pdf**

339.3 KB - 05/12/2017 1:15pm

Total Files: 1



01/22/2020

Board Roster :

**Veterans\_Legal\_Institute\_Board\_of\_Directors\_2017\_-\_Roster.pdf**

59.4 KB - 05/29/2017 11:27am

**Veterans\_Legal\_Institute\_Board\_of\_Directors\_2018\_-  
\_Updated\_May\_2018.pdf**

58.5 KB - 05/23/2018 5:01pm

**Veterans\_Legal\_Institute\_Board\_of\_Directors\_2019\_-\_20190508\_-  
\_Roster.pdf**

58.9 KB - 05/09/2019 1:14pm

Total Files: 3

## **IX. CERTIFICATIONS AND ASSURANCES**

### **CERTIFICATIONS**

The applicant hereby certifies the following:

- It is a California corporation.
- It is a nonprofit organization.
- It operates exclusively in California. A project that is part of an organization that operates other projects outside of California may be considered as operating exclusively within California as long as funds granted are expended in California and the project or organization is a California nonprofit corporation.
- It provides civil legal services to the indigent without charge as its primary purpose and function.
- It receives annually a financial statement that has been reviewed by an independent certified public accountant. If gross expenditures exceed \$500,000, the financial statement must be audited.
- It has updated, in the previous calendar year, the information pertaining to itself in the statewide legal services directory (LAACDirectory.org), LawHelpCA.org, and if applicable, on SmartSimple for use in the Pro Bono Directory hosted on the State Bar website.

### **ASSURANCES**

The applicant assures compliance with the following:

- The applicant will use any funds allocated by the State Bar only for the purposes set forth in Business and Professions Code §§6210-6228, and the corresponding State Bar rules and any amendments thereto.
- The applicant will expend all funds allocated from the State Bar exclusively for services in California.
- The applicant will expend all funds allocated by the State Bar exclusively on civil matters.
- The applicant will expend all funds allocated by the State Bar exclusively on services to the indigent.
- The applicant will expend all funds allocated by the State Bar exclusively for services in the county for which such funds were allocated.
- The applicant will make significant efforts to utilize 20 percent of the funds allocated under this article for increasing the availability of services to members of disadvantaged and underserved groups.

- The applicant will use any attorneys' fees received in cases funded through the State Bar to provide legal services without charge to indigent persons.
- The applicant will:
  - At all times honor the attorney-client privilege and uphold the integrity of the adversary process;
  - Not impose restrictions unrelated to statutes and rules of professional conduct on attorneys who provide representation to indigent clients with funds provided, in whole or in part, from the State Bar; and
  - Not discriminate based on race, color, national origin, religion, gender, disability, age, marital or domestic partnership status, medical condition, or sexual orientation.
- The applicant will comply with all quality control review procedures adopted by the State Bar.
- The applicant will comply with all fiscal management and control procedures adopted by the State Bar.
- The applicant will permit reasonable site visits and present information reasonably necessary to determine compliance with the laws and rules governing the State Bar.
- The applicant will immediately notify the State Bar if the criteria under which it was deemed eligible for a Legal Services Trust Fund Program grant changes during the grant period.

Under penalty of perjury, we, the undersigned, state that the information provided in response to the above statements is true and correct to the best of our knowledge.

Veterans Legal Institute

Organization Name\*

ANTOINETTE BALTA, EXECUTIVE DIRECTOR

Staff Director Printed Name\*

A Balt

Staff Director Signature\*

5/21/2019

Date\*

Marc E. Hankin, Chair of the Board

Board Representative Printed Name and Title\*

Marc E. Hankin

Board Representative Signature\*

5/21/2019

Date\*

\* = required field





**VETERANS LEGAL INSTITUTE**  
**(A California not-for-profit corporation)**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**December 31, 2018**  
  
**With comparative statements**  
**for the year ended December 31, 2017**  
  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**

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

TABLE OF CONTENTS

	<b>Page</b>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to financial statements	9
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	16



## HZ CPAs & Advisors, P.C.

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, 2018, 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 2017 financial statements and in our report dated March 9, 2018, an 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, 2018, 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 15, 2019 on our consideration of **Veterans Legal Institute**' 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**' internal control over financial reporting and compliance.

*HZ CPAs & Advisors, P.C.*

Buena Park, California  
March 15, 2019

**VETERANS LEGAL INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2018  
(With comparatives as of December 31, 2017)

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ <u>346,945</u>	\$ <u>270,746</u>
<b>Total current assets</b>	<u>346,945</u>	<u>270,746</u>
<b>Other assets</b>		
Amortizable support for veteran serving organizations	140,000	
Less: accumulated amortization	<u>(7,000)</u>	
Net amortizable support for veteran serving organizations	<u>133,000</u>	
<b>Total other assets</b>	<u>133,000</u>	
<b>Noncurrent assets</b>		
Furniture and equipment (Note 4)	10,882	4,500
Less: accumulated depreciation (Note 4)	<u>(3,338)</u>	<u>(1,800)</u>
Net furniture and equipment	7,544	2,700
Security deposit	<u>1,971</u>	<u>1,971</u>
<b>Total noncurrent assets</b>	<u>9,515</u>	<u>4,671</u>
<b>TOTAL ASSETS</b>	\$ <u><u>489,460</u></u>	\$ <u><u>275,417</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ <u>74,925</u>	\$ <u>5,000</u>
<b>Total current liabilities</b>	<u>74,925</u>	<u>5,000</u>
<b>Total liabilities</b>	<u>74,925</u>	<u>5,000</u>
<b>Net assets</b>		
Net assets without donor restrictions	<u>414,535</u>	<u>270,417</u>
<b>Total net assets</b>	<u>414,535</u>	<u>270,417</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ <u><u>489,460</u></u>	\$ <u><u>275,417</u></u>

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

**VETERANS LEGAL INSTITUTE****STATEMENT OF ACTIVITIES**

For the year ended December 31, 2018

(With comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUES</b>		
Grants and contributions	\$ 393,673	\$ 434,450
Special Events (net of expenses of \$73,417)	303,964	
Donated goods and services	<u>107,747</u>	<u>144,192</u>
<b>Total support and revenues</b>	<u>805,384</u>	<u>578,642</u>
<b>EXPENSES</b>		
Program services	625,313	521,205
Management and general	35,953	52,610
Fundraising	<u>1,068</u>	<u>1,068</u>
<b>Total expenses</b>	<u>661,266</u>	<u>574,883</u>
<b>Increase in net assets</b>	144,118	3,759
Net assets, beginning of the year	<u>270,417</u>	<u>266,658</u>
<b>Net assets, end of the year</b>	<u><u>\$ 414,535</u></u>	<u><u>\$ 270,417</u></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, 2018  
(With comparative totals for the year ended December 31, 2017)

	Programs	Management and general	Total expenses	2017 Total expenses
<b>EXPENSES:</b>				
Grants, contracts, & direct assistance:				
Contributions to other organizations	\$ 9,300	\$	\$ 9,300	\$ 159,800
Donated goods and services	107,747		107,747	144,192
Total grants, contracts, & direct assistance:	117,047		117,047	303,992
Salaries and related expenses:				
Salaries and wages	354,802	13,250	368,052	243,140
Payroll taxes	79,363	2,869	82,232	73,991
Total salaries and related expenses:	434,165	16,119	450,284	317,131
Contract service expenses:				
Legal fees	5,207	145	5,352	6,932
Professional fees	7,500	7,500	7,500	12,500
Total contract service expenses:	5,207	7,645	12,852	19,432
Nonpersonnel expenses:				
Supplies	8,928	934	9,862	7,028
Telephone and telecommunication	4,064		4,064	5,123
Postage and shipping	2,523		2,523	1,082
Printing and copying	7,969		7,969	2,745
Books, subscriptions, references	3,284		3,284	3,449
Total nonpersonnel expenses:	26,768	934	27,702	19,427
Facility & equipment expenses:				
Rent, parking, other occupancy	29,670		29,670	27,959
Depreciation	1,538		1,538	1,800
Total facility & equipment expenses:	31,208		31,208	29,759
Travel & meetings expenses:				
Travel	1,620		1,620	3,401
Total travel & meeting expenses:	1,620		1,620	3,401
Other expenses:				
Insurance	3,230	1,226	4,456	6,917
Advertising expenses		484	484	1,174
Donor appreciation events				19,620
Other expenses	6,068	9,545	15,613	13,830
Total other expenses:	9,298	11,255	20,553	41,541
<b>Total expenses</b>	<b>\$ 625,313</b>	<b>\$ 35,953</b>	<b>\$ 661,266</b>	<b>\$ 734,683</b>

The accompanying notes are an integral part of these financial statements

**VETERANS LEGAL INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018  
(With comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 144,118	\$ 3,759
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	1,538	1,800
Amortization	7,000	
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in assets:		
Furniture and equipment	(6,382)	
Amortizable support for veteran serving organizations	(140,000)	
Increase (decrease) in liabilities:		
Accounts payable	<u>69,925</u>	<u>5,000</u>
<b>Net cash provided by operating activities</b>	<u>76,199</u>	<u>10,559</u>
<b>Net increase in cash</b>	<u>76,199</u>	<u>10,559</u>
Cash - beginning of the year	<u>270,746</u>	<u>260,187</u>
<b>Cash - end of the year</b>	<u><u>\$ 346,945</u></u>	<u><u>\$ 270,746</u></u>

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, 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 our staff have military experience and/or are spouses of veterans. To date, VLI has served over 5,000 veterans, and recovered over two 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:**

Consider the transformative case of Judith, a United States Navy veteran who served four years as an Operations Specialist. Judith was the victim of military sexual trauma which left her completely unable to work, homebound, and suicidal. Her father became Judith's 24-hour caregiver to prevent her suicide attempts. The family was under constant financial strain and at-risk for homelessness.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

After applying with VLI, Judith was quickly matched to a VLI volunteer staff attorney - a Navy veteran and an expert in veterans' benefits. With his expert guidance, Judith went from having no benefits at all to being 100% service-connected, providing her with \$3,500 a month in tax free income. Also, Judith's father was successfully recognized in the caregiver program, providing an additional \$1,500 a month in tax free income to him. Further, Judith successfully enrolled in the Military Sexual Trauma clinic at the VA Hospital in Long Beach. Now, Judith is receiving vital healthcare treatment as her therapists continue to support her and to document her trauma. As a result, Judith and her father live with greater financial security, dignity, and hope for a healthier future.

**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.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

**Objectives for 2019:**

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, women veterans, and disability benefits in the VLI office, thereby expanding choice and options to access expert pro bono attorneys in these focus areas.

**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 5,500 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.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**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.

**PROPERTY AND EQUIPMENT**

Property and equipment are 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."

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The FASB Accounting Standard Update issued in August of 2016 requires that net assets be classified into two categories. VLI has accordingly adopted this classification:

*Net assets without donor restrictions* – Net assets that are not subject to any donor-imposed requirements.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions regarding to their special purpose other than normal programs and operations. For example, contributions received for fixed asset acquisitions will be recorded as net assets with donor restrictions. Perpetual restrictions such as endowment are another example.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**FINANCIAL STATEMENT PRESENTATION (continued)

Below is a general reference of comparison between previously reported categories and the new reporting convention.

<b>Previously reported</b>	<b>New reporting</b>
Unrestricted net assets	Net assets without donor restrictions
Temporarily restricted	Net assets with donor restrictions
Permanently restricted	

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. The basis of valuation of these donations is generally in-house appraisal or fair market value as indicated by the person or agency making the donation. Included in the statement of activities is \$107,747 of volunteer services as both revenue and 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's Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2016, 2017 and 2018, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**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, 2017, from which the summarized information was derived.

**NOTE 3 – LIQUIDITY OF ORGANIZATION**

According to Accounting Standard Update (ASU) 2016-14, VLI' management has evaluated how the organization manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet. VLI has a strong cash balance and stable funding sources from foundations, corporations, and individuals. VLI has a cohesive team that has won respect in the field and by funders. VLI had \$346,945 current assets and \$74,925 current liabilities at December 31, 2018, with a current ratio of 4.6 to 1. All of the current assets were cash. The general expense of the organization was \$794,266 in 2018, and its revenue was \$805,384. Management has confidence that with solid demand for VLI's service and the organization's foundation for integrity, accountability and transparency, VLI is on the path of sustainable operation.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2018 are comprised of the following:

<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Furniture and equipment	\$ <u>10,882</u>	\$ <u>(3,338)</u>	\$ <u>7,544</u>
Net property and equipment	\$ <u>10,882</u>	\$ <u>(3,338)</u>	\$ <u>7,544</u>

Depreciation expense for the year ended December 31, 2018 was \$1,538.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

VLI maintains its cash accounts with local banks. The cash balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of December 31, 2018, VLI had cash deposits that are above the balance insured by the FDIC in the amount of \$96,945. Management believes that VLI is not exposed to any significant credit risk related to cash because of the solvency of the bank in which these funds are held.

**NOTE 6 - SUBSEQUENT EVENTS**

Veterans Legal Institute's management has evaluated subsequent events for the period from December 31, 2018, through March 15, 2019, 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.

**HZ CPAs & Advisors, P.C.**

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, 2018, 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 15, 2019.

**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.

*H2 CPAs & Advisors, P.C.*

Buena Park, California  
March 15, 2019



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

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
December 31, 2018**

**With comparative statements  
for the year ended December 31, 2017**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

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

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to financial statements	9
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	15



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, 2018, 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 2017 financial statements and in our report dated March 9, 2018, an 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, 2018, 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 15, 2019 on our consideration of **Veterans Legal Institute**' 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**' internal control over financial reporting and compliance.

*JZ CPAs Inc*

Long Beach, California  
March 15, 2019

**VETERANS LEGAL INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2018  
(With comparatives as of December 31, 2017)

<b>ASSETS</b>		
	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 346,945	\$ 270,746
<b>Total current assets</b>	<u>346,945</u>	<u>270,746</u>
<b>Noncurrent assets</b>		
Furniture and equipment (Note 3)	10,882	4,500
Less: accumulated depreciation (Note 3)	<u>(3,338)</u>	<u>(1,800)</u>
Net furniture and equipment	7,544	2,700
Security deposit	<u>1,971</u>	<u>1,971</u>
<b>Total noncurrent assets</b>	<u>9,515</u>	<u>4,671</u>
<b>TOTAL ASSETS</b>	<u>\$ 356,460</u>	<u>\$ 275,417</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 74,925	\$ 5,000
<b>Total current liabilities</b>	<u>74,925</u>	<u>5,000</u>
<b>Total liabilities</b>	<u>74,925</u>	<u>5,000</u>
<b>Net assets</b>		
Unrestricted net assets	<u>281,535</u>	<u>270,417</u>
<b>Total net assets</b>	<u>281,535</u>	<u>270,417</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 356,460</u>	<u>\$ 275,417</u>

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

**VETERANS LEGAL INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2018  
(With comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUES</b>		
Grants and contributions	\$ 393,673	\$ 434,450
Special Events (net of expenses of \$73,417)	303,964	
Donated goods and services	<u>107,747</u>	<u>144,192</u>
<b>Total support and revenues</b>	<u>805,384</u>	<u>578,642</u>
<b>EXPENSES</b>		
Program services	758,313	521,205
Management and general	35,953	52,610
Fundraising	<u>1,068</u>	<u>1,068</u>
<b>Total expenses</b>	<u>794,266</u>	<u>574,883</u>
<b>Increase in net assets</b>	11,118	3,759
Net assets, beginning of the year	<u>270,417</u>	<u>266,658</u>
<b>Net assets, end of the year</b>	\$ <u><u>281,535</u></u>	\$ <u><u>270,417</u></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, 2018  
(With comparative totals for the year ended December 31, 2017)

	Programs	Management and general	Total expenses	2017 Total expenses
<b>EXPENSES:</b>				
Grants, contracts, & direct assistance:				
Contributions to other organizations	\$ 142,300	\$	\$ 142,300	\$ 159,800
Donated goods and services	107,747		107,747	144,192
Total grants, contracts, & direct assistance:	<u>250,047</u>		<u>250,047</u>	<u>303,992</u>
Salaries and related expenses:				
Salaries and wages	354,802	13,250	368,052	243,140
Payroll taxes	79,363	2,869	82,232	73,991
Total salaries and related expenses:	<u>434,165</u>	<u>16,119</u>	<u>450,284</u>	<u>317,131</u>
Contract service expenses:				
Legal fees	5,207	145	5,352	6,932
Professional fees		7,500	7,500	12,500
Total contract service expenses:	<u>5,207</u>	<u>7,645</u>	<u>12,852</u>	<u>19,432</u>
Nonpersonel expenses:				
Supplies	8,928	934	9,862	7,028
Telephone and telecommunication	4,064		4,064	5,123
Postage and shipping	2,523		2,523	1,082
Printing and copying	7,969		7,969	2,745
Books, subscriptions, references	3,284		3,284	3,449
Total nonpersonel expenses:	<u>26,768</u>	<u>934</u>	<u>27,702</u>	<u>19,427</u>
Facility & equipment expenses:				
Rent, parking, other occupancy	29,670		29,670	27,959
Depreciation	1,538		1,538	1,800
Total facility & equipment expenses:	<u>31,208</u>		<u>31,208</u>	<u>29,759</u>
Travel & meetings expenses:				
Travel	1,620		1,620	3,401
Total travel & meeting expenses:	<u>1,620</u>		<u>1,620</u>	<u>3,401</u>
Other expenses:				
Insurance	3,230	1,226	4,456	6,917
Advertising expenses		484	484	1,174
Donor appreciation events				19,620
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Total other expenses:	<u>9,298</u>	<u>11,255</u>	<u>20,553</u>	<u>41,541</u>
<b>Total expenses</b>	<u>\$ 758,313</u>	<u>\$ 35,953</u>	<u>\$ 794,266</u>	<u>\$ 734,683</u>

The accompanying notes are an integral part of these financial statements



**VETERANS LEGAL INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018  
(With comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 11,118	\$ 3,759
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	1,538	1,800
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in assets:		
Fixed assets	(6,382)	
Increase (decrease) in liabilities:		
Accounts payable	<u>69,925</u>	<u>5,000</u>
<b>Net cash provided by operating activities</b>	<u>76,199</u>	<u>10,559</u>
<b>Net increase in cash</b>	<u>76,199</u>	<u>10,559</u>
Cash - beginning of the year	<u>270,746</u>	<u>260,187</u>
<b>Cash - end of the year</b>	<u><u>\$ 346,945</u></u>	<u><u>\$ 270,746</u></u>

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**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, 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 our staff have military experience and/or are spouses of veterans. To date, VLI has served over 5,000 veterans, and recovered over two 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:**

Consider the transformative case of Judith, a United States Navy veteran who served four years as an Operations Specialist. Judith was the victim of military sexual trauma which left her completely unable to work, homebound, and suicidal. Her father became Judith's 24-hour caregiver to prevent her suicide attempts. The family was under constant financial strain and at-risk for homelessness.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

After applying with VLI, Judith was quickly matched to a VLI volunteer staff attorney - a Navy veteran and an expert in veterans' benefits. With his expert guidance, Judith went from having no benefits at all to being 100% service-connected, providing her with \$3,500 a month in tax free income. Also, Judith's father was successfully recognized in the caregiver program, providing an additional \$1,500 a month in tax free income to him. Further, Judith successfully enrolled in the Military Sexual Trauma clinic at the VA Hospital in Long Beach. Now, Judith is receiving vital healthcare treatment as her therapists continue to support her and to document her trauma. As a result, Judith and her father live with greater financial security, dignity, and hope for a healthier future.

**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.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

**Objectives for 2019:**

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, women veterans, and disability benefits in the VLI office, thereby expanding choice and options to access expert pro bono attorneys in these focus areas.

**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 5,500 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.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**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.

**PROPERTY AND EQUIPMENT**

Property and equipment are 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. The basis of valuation of these donations is generally in-house appraisal or fair market value as indicated by the person or agency making the donation. Included in the statement of activities is \$107,747 of volunteer services as both revenue and expense.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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's Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2016, 2017 and 2018, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**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, 2017, from which the summarized information was derived.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2018 are comprised of the following:

<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Furniture and equipment	\$ <u>10,882</u>	\$ <u>(3,338)</u>	\$ <u>7,544</u>
Net property and equipment	\$ <u>10,882</u>	\$ <u>(3,338)</u>	\$ <u>7,544</u>

Depreciation expense for the year ended December 31, 2018 was \$1,538.

**VETERANS LEGAL INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CASH AND CASH EQUIVALENTS**

The organization's cash, \$346,945 as of December 31, 2018, is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor, or certain non-interest bearing accounts that are fully insured by the FDIC. As of December 31, 2018, the organization had cash that was exposed to uninsured deposit risk in the amount of \$96,945.

**NOTE 5 - SUBSEQUENT EVENTS**

Veterans Legal Institute's management has evaluated subsequent events for the period from December 31, 2018, through March 15, 2019, 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, 2018, 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 15, 2019.

**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 15, 2019

## **ATTACHMENT B: Veterans Legal Institute – Updated Test C Narratives**

### **Los Angeles County**

In response to the December 20, 2019 letter from Christal Bundang, the narrative has been updated to demonstrate how VLI's principal means of legal services delivery is through the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services in California:

Given the vast amount of volunteers VLI has, at times it can be difficult to track all of the volunteer hours it receives, so we are unable to provide specific percentages. That said, we are confident that VLI would meet test B requirements given the number of volunteer-led clinics. For that reason, VLI's volunteer hours are always under-reported or conservatively reported.

Since inception, VLI has always leveraged a significant number of pro bono attorneys, paralegals, and law clerks to paid staff.

In 2018, VLI conservatively estimates 52 attorneys provided over 3061 hours to all indigent clients in all counties. The numbers provided in the table are a conservative estimate of pro bono legal services provided to indigent clients in LA County. At least 58% of VLI's clients are indigent living in California. This number jumps to 62% if including indigent veterans from out of state that have no other recourse for free legal aid, especially for veterans benefit and military sexual trauma. LA County clients represent approximately 19% of this 58% indigent client total. No less than 30 pro bono attorneys are directly attributable to indigent clients in Los Angeles County.

All of the attorneys we recruit have special expertise needed to provide services. All have a military connection in being former service, military family members and veteran advocates. Moreover, many have specialized JAG experience. As a result, they understand the impact of military service on transitioning successfully to civilian life. Many are at the top of the profession in litigation and mediation in top requests for service in family law, veterans benefits, immigration, consumer, and housing law. Further, these attorneys are available to travel to and attend over 40 clinics dates for innovative strategic outreach clinics from the Veterans Administration Hospital in Long Beach through locations in Orange County as described in this application. In addition, pro bono attorneys have provided free legal services by accepting clients from case listings.

In 2018 we increased paid staff hours to keep up with demands for service and to need to place more cases with PBI attorneys with legal expertise.

Beyond pro bono attorney, paralegal, and law clerk hours, in 2018 VLI conservatively estimates an additional 305 hours from legal assistants and 135 hours from office assistants working directly on indigent cases in LA county.

## Orange County

In response to the December 20, 2019 letter from Christal Bundang, the narrative has been updated to demonstrate how VLI's principal means of legal services delivery is through the recruitment of attorneys in private practice to provide free legal representation to indigent persons or to qualified legal services in California:

Given the vast amount of volunteers VLI has, at times it can be difficult to track all of the volunteer hours it receives, so we are unable to provide specific percentages. That said, we are confident that VLI would meet test B requirements given the number of volunteer-led clinics. For that reason, VLI's volunteer hours are always under-reported or conservatively reported.

Since inception, VLI has always leveraged a significant number of pro bono attorneys, paralegals, and law clerks to paid staff. In 2018, VLI conservatively estimates 52 attorneys provided over 3061 hours to all indigent clients in all counties. The numbers provided in the table are a conservative estimate of pro bono legal services provided to indigent clients in Orange County. At least 58% of VLI's clients are indigent living in California. This number jumps to 62% if including indigent veterans from out of state that have no other recourse for free legal aid, especially for veterans benefit and military sexual trauma. Orange County clients represent approximately 39% of this 58% indigent client total. No less than 30 attorneys are directly attributable to indigent clients in Orange county.

All of the attorneys we recruit have special expertise needed to provide services. All have a military connection in being former service, military family members and veteran advocates. Moreover, many have specialized JAG experience. As a result, they understand the impact of military service on transitioning successfully to civilian life. Many are at the top of the profession in litigation and mediation in top requests for service in family law, veterans benefits, immigration, consumer, and housing law. Further, these attorneys are available to travel to and attend over 40 clinics dates for innovative strategic outreach clinics from the Veterans Administration Hospital in Long Beach through locations in Orange County as described in this application. In addition, pro bono attorneys have provided free legal services by accepting clients from case lists.

In 2018 we increased paid staff hours to keep up with demands for service and to need to place more cases with PBI attorneys with legal expertise.

Beyond pro bono attorney, paralegal, and law clerk hours, in 2018 VLI conservatively estimates an additional 627 hours from legal assistants and 277 hours from office assistants working directly on on indigent cases in Orange county.

**ATTACHMENT D****Veterans Legal Institute: 2020 IOLTA and EAF Allocations****Option A (no Pro Bono Allocation):**

<b>County</b>	<b>IOLTA</b>	<b>EAF</b>	<b>EAF HP - Formula</b>
Los Angeles	\$16,943	\$7,170	
Orange	\$42,152	\$17,838	
	<b>\$59,095</b>	<b>\$25,008</b>	<b>\$50,097.14</b>

<b>TOTAL</b>	<b>\$134,200.14</b>
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**Option B (with Pro Bono Allocation):**

<b>County</b>	<b>IOLTA</b>		<b>EAF</b>		<b>EAF HP - Formula</b>
	<b>IOLTA</b>	<b>Pro Bono</b>	<b>EAF</b>	<b>Pro Bono</b>	
Los Angeles	\$16,943	\$5,819	\$7,170	\$2,463	
Orange	\$42,152	\$13,289	\$17,838	\$5,623	
	<b>\$59,095</b>	<b>\$19,108</b>	<b>\$25,008</b>	<b>\$8,086</b>	
<b>SUBTOTAL</b>		<b>\$78,203</b>		<b>\$33,094</b>	<b>\$50,097.14</b>

<b>TOTAL</b>	<b>\$161,394.14</b>
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