

FILED

IN THE SUPREME COURT OF THE STATE OF NEVADA

AUG 25 2014

TRACIE K. LINDEMAN
CLERK OF SUPREME COURT
BY *[Signature]*
CHIEF DEPUTY CLERK

IN THE MATTER OF
AMENDMENTS
TO THE SUPREME COURT RULE
216: CLIENT INTEREST BEARING
TRUST ACCOUNTS; CREATION
OF FOUNDATION.

ADKT NO.: 0479

**RESPONSE TO EMERGENCY
PETITION UNDER NRAP
27(e), REQUESTING
CLARIFICATION FROM
COURT ON CONDITIONS TO
APPOINTMENT OF NBF AS
IOLTA FOUNDATION**

COMES NOW Petitioner State Bar of Nevada (the State Bar) and the Nevada Bar Foundation ("NBF") and files this Response to the "Nevada Bar Foundation dba Justice League of Nevada's Emergency Petition Under NRAP 27(e) Requesting Clarification From Court On Conditions to Appointment of NBF as IOLTA Foundation" ("JLN Petition").

I. Procedural Background

On July 31, 2014, the court issued an "Order Designating Foundation Under Supreme Court Rule 216 and Directing Transfer of All IOLTA Assets, Books and Records to Foundation" ("Order"). In pertinent part, the Order states:

IT IS HEREBY ORDERED, that the NBF is appointed as the designated SCR 216 IOLTA foundation in place and instead of the JLN effective August 31, 2014, on the condition that the NBF convert its status from that of private foundation to one of public charity in order to avoid excise tax liability and maximize charitable benefit;

IT IS FURTHER ORDERED that the JLN transfer all IOLTA funds, books, and records to the NBF no later than August 31, 2014,

14-28012

1 according to the terms set forth in the Reply filed by the Board of
2 Governors on July 28, 2014;

3 [Order, pp. 1-2].

4 On August 21, 2014 the Nevada Bar Foundation dba Justice League of
5 Nevada filed the JLN Petition requesting the following:

6 1. Clarification of the Order's condition "that the NBF convert its status
7 from that of private foundation to one of public charity in order to avoid excise tax
8 liability and maximize charitable benefit; and

9 2. An order that the NBF provide the JLN with copies of its organizational
10 documents.

11 **II. History of the NBF**

12 The NBF was incorporated on December 19, 1997 as a Nevada nonprofit
13 corporation under NRS Chapter 82. [Exhibit 1, attached].

14 By letter dated January 20, 1999 to the NBF, the IRS determined that the
15 NBF was exempt from federal income tax under section 501(a) of the Internal
16 Revenue Code ("IRC") as an organization described in section 501(c)(3). The
17 letter also constituted an advance ruling that the NBF could reasonably be
18 expected to be a publicly supported organization described in sections 509(a)(1)
19 and 170(b)(1)(A)(vi). [Exhibit 2, attached].

20 By letter dated August 26, 2002 to the NBF, however, the IRS determined
21 that NBF was a private foundation because it could not satisfy the public support
22 test under the IRC to qualify as a public charity. It's only donation at the time of
23 its request to become a public charity was by a single organization of a flag pole
24 and memorial plaque which stands outside the State Bar's Las Vegas office at
25 600 E. Charleston [Exhibit 3, attached].

1 Since 2000, the primary function of the NBF was to receive federal grants
2 to fund the We the People: the Citizen and the Constitution, Representative
3 Democracy in America, and Project Citizen law related education programs until
4 2011 when all federal funding for these programs was cut.

5 Given the relative lack of activity (and the lack of public support) of the
6 NBF in the recent past, the NBF has not sought to covert its status from a private
7 foundation to a public charity.

8
9 **III. The NBF Will File This Week Its IRC 507(B)(1)(B): Notice of**
10 **Termination Of Private Foundation.**

11 Since the Order was issued the NBF has been preparing a Notice Under
12 IRC 507(B)(1)(B): Termination Of Private Foundation Status By Operation As A
13 Public Charity with Advance Ruling ("Termination Notice") with supporting
14 documentation showing that the NBF can be expected to satisfy the requirements
15 to be an IRC 509(A)(2) public charity within a 60 month period beginning
16 January 1, 2015. The NBF will file the Termination Notice this week. If the IRS
17 determines that, based upon the Termination Notice the NBF can reasonably be
18 expected to satisfy the requirements of IRC 507(b)(1)(B)(i) during the 60-month
19 period, the IRS will issue an advance ruling to that effect.

20 Even if an advance ruling is issued stating that the NBF can be expected to
21 satisfy the requirements to be a public charity, the NBF must properly establish
22 immediately after the 60-month period that it has met the requirements to be
23 qualified a public charity. If the NBF meets the requirements to convert, it will be
24 deemed to be operating as a public charity during the 60 month time period.

1 **IV. The NBF Will Likely Qualify As a Public Charity Based Upon Its**
2 **Receipt Of The IOLTA Funds During The 60 Month Period.**

3 To satisfy the IRC 509(a)(2) public support test, during the 60-month
4 period an organization must receive more than one-third of its support from
5 contributions from the general public and/or from gross receipts from activities
6 related to its tax-exempt purposes. Under the IRC 509(a)(2) test, an organization
7 can receive no more than one-third of its support from gross investment income
8 and unrelated business taxable income.

9 The NBF has obtained an informal opinion from the State Bar and NBF's
10 auditor Bernard Vogler & Co., Reno, Nevada that it is likely that the NBF will
11 satisfy the IRC 509(a)(2) public support test at the end of the 60-month period
12 based upon its receipt of the IOLTA funds during this period. Stated another
13 way, it is the NBF's receipt of the IOLTA funds during the 60-month period that
14 will allow it to satisfy the public support test under IRC 509(a)(2). Without the
15 receipt of the IOLTA funds, unless NBF receives a substantial amount of new
16 public funding during the 60-month time period, it may not qualify as a public
17 charity.

V. There Should Be No Delay In The August 31, 2014 NBF Designation Date and IOLTA Asset Transfer Date Established In The Order.

As stated above, it is likely that NBF will qualify as a public charity at the end of the 60 month operating period if it receives the IOLTA funds on August 31, 2014, which will allow it to satisfy the public support test. In the unlikely event the NBF does not qualify as a public charity at the end of the 60-month period and for the any period of time the NBF is deemed to be a private foundation including September 1, 2014 through December 31, 2014, however, the State Bar will work with the NBF to satisfy any liability of the NBF for any excise tax liability which would result from NBF's private foundation status. Most of the excise taxes for which a private foundation may be liable (i.e. excise taxes on self-dealing, undistributed net income, jeopardizing investments and excess business holdings) may be avoided by proper operation of the Foundation. The one excise tax that private foundations cannot avoid is on net investment income at the annual rate of two (2%)¹ percent. [see IRC 4940(a)]. The NBF does not expect the amount of excise taxes it will be liable for in 2014 will be material given the low interest rates payable on deposit accounts and on CDs now and in the foreseeable future. According to the JLN's audited Financial Statements for the year ending December 31, 2014, JLN's total investment income for 2013 for restricted and unrestricted net assets was \$55,127. [Exhibit 4]. The NBF does not expect its investment income will exceed this number on an annualized basis.

¹

Foundations can qualify for a reduced excise tax rate of 1 percent for any year that the percentage of their qualifying distributions for charitable purposes as a percentage of net non-charitable use assets exceeds the average distribution ratio of the preceding five tax years.

1 Not only will the State Bar work with the NBF to pay any excise taxes
2 related to IOLTA funds, but given that the costs to administer the IOLTA program
3 will immediately significantly decrease from approximately \$50,000 per year to
4 approximately \$30,000 per year upon the transfer of the IOLTA program to the
5 NBF, there should be no delay in the August 31, 2014 effective date of the NBF as
6 the IOLTA foundation and for the transfer of the IOLTA assets from JLN to NBF.
7 The JLN notes and the NBF agrees that since August 31, 2014 falls on a Sunday
8 and September 1, 2014 is Labor Day, the transfer date would default to September
9 2, 2014 since the banks will be closed from August 30, 2014 until September 1,
10 2014.

11 The JLN notes that the advantage of receiving an advanced ruling is that
12 any contributors may rely on the advanced ruling to properly take any deductions²
13 for contributions to the organization. This is true; however, since there are no
14 federal income tax consequences whatsoever associated with the IOLTA program,
15 waiting for an advance ruling is not necessary.

16 The NBF is ready, willing and able to serve as the designated IOLTA
17 foundation under SCR 216. Since the Order was issued the NBF has taken the
18 following actions to insure that the NBF has sufficient time to meet the IOLTA
19 program obligations for the upcoming granting cycle:

- 20 • Prepared a 5 year Pro Forma Budget
- 21 • Drafted IOLTA and Non-IOLTA Investment Policies

22 ² Should an individual donor wish to make a gift to a private foundation, the
23 difference between the tax deduction allowed for a donation to a public charity
24 (50% of adjusted gross income computed without regard to net operating loss
25 carrybacks) versus a private foundation (30% of adjusted gross income computed
without regard to net operating loss carrybacks) would typically not affect the
ability of an individual donor to fully deduct the gift unless that donor wanted to
make a gift in excess of 30% of his/her adjusted gross income.

- Drafted IOLTA Reserve Policies
- Drafted IOLTA Grant Application and Granting Policies and Procedures
- Established IOLTA Operating and Reserve Bank Accounts
- Established IOLTA Investment Accounts
- Completed Termination Notice, which will be filed this week; and
- On August 22, 2014 conducted an orientation session for all the persons who will comprise the NBF Board of Trustees as of August 31, 2014, pursuant to Appointment by the State Bar and by the Supreme Court pursuant to the Order.

On September 4, 2014 the newly formed NBF Board of Trustees will conduct its first official meeting where the IOLTA policies and procedures will be adopted and the following committees of the Board of Trustees will be constituted and populated: Audit Committee, Investment Committee, Finance Committee, Granting Committee, Banking Relationship Committee and Fundraising Committee.

The JLN requests that it be provided with the IRS Determination verifying its IRC 501(c)(3) status. [See Exhibits 2-3]. It also requested copies of the NBF's organizational documents to be assured that they comply with SCR 216. The NBF is in the process of making the necessary changes and will provide the JLN and the court with copies of its revised organizational documents by August 29, 2014. The NBF will also provide the court with a copy of its Termination Notice by August 27, 2014.

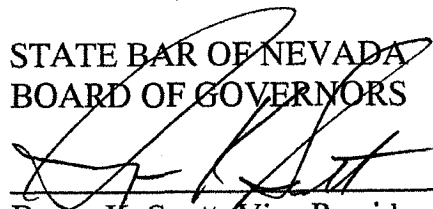
WHEREFORE, the State Bar and the NBF request that the court:

1. Clarify its Order that the NBF satisfies the condition that it convert its status from that a private foundation to one of public charity upon the filing on August 27, 2014, its Termination Notice with the IRS; and

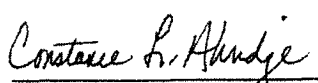
1 2. Confirm that the Order designating the NBF as the SCR 216 IOLTA
2 Foundation as of August 31, 2014 remains unchanged but that the transfer of the
3 IOLTA assets from JLN to the NBF will occur on September 2, 2014 since banks
4 are not open from August 30, 2014 through September 1, 2014 for the Labor Day
5 weekend.

6 Respectfully submitted this 25th day of August, 2014.

7
8 STATE BAR OF NEVADA
9 BOARD OF GOVERNORS

10 
11 Bryan K. Scott, Vice President
12 Nevada Bar No. 4381
13 State Bar of Nevada
14 600 E. Charleston Boulevard
15 Las Vegas, Nevada 89104
16 (702) 382-2200

17 NEVADA BAR FOUNDATION

18 
19 Constance L. Akridge, President
20 Nevada Bar No. 3353
21 State Bar of Nevada
22 600 E. Charleston Boulevard
23 Las Vegas, Nevada 89104
24 (702) 382-2200
25

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on the 25TH day of August, 2014, a true and correct
3 copy of the foregoing **RESPONSE TO EMERGENCY PETITION UNDER**
4 **NRAP 27(e), REQUESTING CLARIFICATION FROM COURT ON**
5 **CONDITIONS TO APPOINTMENT OF NBF AS IOLTA FOUNDATION**
6 was served by depositing same in the United States mail, first class postage fully
7 prepaid to the persons and addresses listed below:

8
9 Michaelle D. Rafferty, Esq.
10 Maupin, Cox & Legoy
11 4785 Caughlin Parkway
12 Reno, Nevada 89519
13
14
15
16
17
18


19 
20 An employee of the State Bar of Nevada
21
22
23
24
25

EXHIBIT 1

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

DEC 19 1997
78680-97
DEAN HELLER SECRETARY OF STATE
No. _____

ARTICLES OF INCORPORATION

OF

NEVADA BAR FOUNDATION

DEC 19 1997
2:00
\$25 Jk

The undersigned, to form a nonprofit corporation under Chapter 82 of the Nevada Revised Statutes, certifies that:

1. **NAME:** The name of the corporation is the NEVADA BAR FOUNDATION.
2. **TERM:** The term, or life, of the corporation shall be perpetual unless dissolved as provided in Section 12 hereof.
3. **NONPROFIT STATUS:** The corporation shall be a nonprofit corporation, and these Articles of Incorporation may not be amended to alter the corporation's nonprofit status.
4. **RESIDENT AGENT AND PRINCIPAL OFFICE:** The initial resident agent of the corporation shall be the State Bar of Nevada. The address of the agent and the registered office of the corporation shall be located at the following address:

State Bar of Nevada
600 East Charleston Boulevard
Las Vegas, Nevada 89101

The corporation may change its registered office and may also maintain an office or offices at such other places in or out of the State of Nevada, as the Board of Trustees may from time to time determine. Corporate business of every kind and nature may be conducted, and meetings of the Trustees held in and out of the State of Nevada.

5. **PURPOSE AND LIMITATIONS:** The corporation is a nonprofit corporation for public benefit organized under the provisions of Chapter 82 of Nevada Revised Statutes (hereinafter "NRS") and subject to its provisions. The corporation is organized exclusively for educational, charitable and eleemosynary purposes (a) as provided in NRS section 82.021, as amended, and (b) within the meaning of Sections 170 and 501(c)(3) of the Internal Revenue Code of 1954, as amended (hereinafter "Code"), and any acts amendatory thereto.

- a. **General Powers.** the specific purposes of the corporation are to provide legally related services to the poor, to the victims of domestic violence and to children protected by or in need of protection of the juvenile court; to promote or provide law related educational programs for members of the public; to develop and improve legal education; to engage in research in the field of law and legal practice and to assist qualified individuals in the study of law; to fund the charitable and tax exempt programs or activities of the State Bar of Nevada; to develop or hold appropriate facilities for housing the corporation or the State Bar

Law Office of
HUCKLEY, SINGLETON, JEMISON & LIST, CHARTERED
A Professional Law Corporation

of Nevada; to maintain and furnish the historic Nevada Bar building located at 600 East Charleston Boulevard, Las Vegas, Nevada; to provide programs similar to those described above which qualify for tax exempt status under Code section 501(c)(3), as amended.

b. Specific Limitations: In the conduct of its activities, the corporation shall be subject to and governed by the following restrictions and prohibitions:

- i. The corporation shall be organized and operated exclusively for charitable, scientific, and educational purposes;
- ii. No part of the net earnings of the corporation shall inure to the benefit of any member of its Board of Trustees or officers or any private individual;
- iii. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting, to influence legislation, and the corporation shall not participate in or intervene in (including the publication or distribution of statements) in any political campaign on behalf of (or in opposition to) any candidate for public office.
- iv. The corporation shall not, otherwise than as an insubstantial part of its activities, engage in activities which in themselves are not in the furtherance of the purposes of the corporation as stated in Section 4 hereof.

6. **PRIVATE FOUNDATION RULES:** At any time the Corporation is a Private Foundation within the meaning of IRC § 509, and is not an Operating Foundation as defined by IRC § 4942(j)(3):

- a. The corporation shall distribute its income for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by IRC § 4942.
- b. The corporation shall not engage in any act of self-dealing as defined in IRC § 4941(d).
- c. The corporation shall not retain any excess business holdings as defined in IRC § 4943(c).
- d. The corporation shall not make any investments in such manner as to subject it to tax under IRC § 4944.
- e. The corporation shall not make any taxable expenditures as defined in IRC § 4945(d).

- f. The corporation shall not engage in any other prohibited transaction as provided in any corresponding provisions of any subsequent Federal tax laws or NRS 81.630.

7. **TRUSTEES:** The corporation shall be governed by a Board of Trustees and each member of the governing board shall be a "Trustee".

- a. **Number.** The number of members of the Board of Trustees shall be an odd number as set forth in the Bylaws of the corporation, as amended from time to time, but shall not be fewer than three (3) nor more than fifteen (15). If the number of members of the Board of Trustees is reduced below the number set in the Bylaws, for any reason, including the death, resignation, or removal of a member of the Board of Trustees, such reduction in number shall not adversely affect the ability of the corporation to conduct its activities. However, the Board of Trustees shall take reasonable steps and exercise due diligence to obtain the appointment of a person, or persons, to fill any vacancies which may occur so as to maintain the number of the Board of Trustees set in the Bylaws.
- b. **Composition and Term.** A majority of the members of the Board of Trustees shall be members in good standing of the State Bar of Nevada; other members may include lay persons who have knowledge of and are acquainted with the education and charitable purposes of the corporation.

The terms of the members of the Board of Trustees shall be staggered. Each member shall be appointed for a term of two calendar years. No member may serve on the Board of Trustees for more than a lifetime total of eight years.

The Board of Governors of the State Bar of Nevada shall appoint all members of the Board of Trustees of the corporation, prior to the beginning of each calendar year, with a simple majority of the positions appointed to serve beginning in even numbered calendar years and a majority minus one appointed to serve beginning in odd numbered calendar years. For each forthcoming calendar year, the Board of Governors of the State Bar of Nevada shall appoint its incoming President to serve as one of the above members of the Board of Trustees of the corporation, who shall also serve as Secretary of the Board of Trustees during the first year of the term, and a Chairperson of the Board of Trustees during the second year of term. Vacancies on the Board of Trustees shall be filled by the Board of Governors of the State Bar of Nevada

- c. **Removal.** a member of the Board of Trustees may be removed, at any time, by a vote of two-thirds of the entire members of the then existing Board of Governors of the State Bar of Nevada.

- d. Condition of Membership. No person may serve a member of the Board of Trustees if such individual is a beneficiary, employee, officer, or member of a governing body of any grantee of the corporation's charitable grants.
8. **MEMBERS:** The corporation shall have no members other than the Trustees.
9. **INITIAL TRUSTEE:** The initial Board of Trustees shall consist of three (3) persons:

<i>Name</i>	<i>Address</i>
Daniel F. Polsenberg	530 Las Vegas Blvd. South Las Vegas, NV 89101
Wayne Blevins	600 East Charleston Boulevard Las Vegas, NV 89104
Robert P. Dickerson	330 South Third Street, Ste. 1130 Las Vegas, NV 89101

10. **INCORPORATOR:** The incorporator of the corporation is Daniel F. Polsenberg, whose address is:
- 530 Las Vegas Boulevard South
Las Vegas, Nevada 89101
11. **AMENDMENT:** These Articles and the Bylaws of the corporation may be amended by a vote of a majority of the Trustees; provided that any amendment shall be void to the extent it adversely affect the status of the Corporation as an organization qualifying under IRC § 501(c)(3).
12. **BYLAWS:** The Trustees shall adopt bylaws to govern the administration and management of the corporation.
- a. The bylaws shall be consistent with Nevada law and these Articles of Incorporation and shall be void to the extent they are inconsistent therewith.
- b. The selection, removal, replacement, terms, duties, and powers of the corporation's Trustees and officers shall be governed by the bylaws.

13. **INDEMNIFICATION:** The Corporation shall indemnify its officers and Trustees.

- a. The Corporation hereby indemnifies any Trustee or officer made a party or threatened to be made a party to any threatened, pending or complete action, suit or proceeding:
 - i. Whether civil, criminal, administrative, or investigative, other than one by or in the right of the Corporation to procure a judgment in its favor, brought to impose a liability or penalty on such person for an act alleged to have been committed by such person in his capacity of Trustee or officer of the Corporation, or in his capacity as trustee, director, officer, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise which he served at the request of the Corporation, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred as a result of such action, suit or proceeding or any appeal therein, if such person acted in good faith in the reasonable belief that such action was in the best interests of the Corporation, and in criminal actions or proceedings, without reasonable ground for belief that such action was unlawful. The termination of any such action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not in itself create a presumption that any such Trustee or officer did not act in good faith in the reasonable belief that such action was in the best interests of the Corporation or that he had reasonable grounds for belief that such action was unlawful.
 - ii. By or in the right of the Corporation to procure a judgment in its favor by reason of his being or having been a Trustee or officer of the Corporation, or by reason of his being or having been a trustee, director, officer, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise which he served at the request of the Corporation, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense or settlement of such action, or in connection with an appeal therein, if such person acted in good faith in the reasonable belief that such action was in the best interests of the Corporation. Such person shall not be entitled to indemnification in relation to matters as to which such person has been adjudged to have been guilty of negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court, administrative agency, or investigative body before which such action, suit or proceeding is held shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which such tribunal shall deem proper.

- b. The Board of Trustees shall have the sole discretion to determine whether amounts for which a Trustee or officer seeks indemnification were properly incurred and whether such Trustee or officer acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation, and whether, with respect to any criminal action or proceeding, he had no reasonable ground for belief that such action was unlawful. Such determination shall be made by the Board of Trustees by a majority vote of a quorum consisting of Trustees who were not parties to such action, suit or proceeding.
- c. The foregoing rights of indemnification shall not be deemed to limit in any way the powers of the Corporation to indemnify under applicable law.
14. **DISSOLUTION:** The Trustees of the corporation may dissolve the corporation at any time by two-thirds vote of the then existing Board of Trustees.
15. **INTERNAL REVENUE CODE:** All references herein to the "IRC" or the "Internal Revenue Code" are references to the Internal Revenue Code of 1986, as amended, and to corresponding provisions of any later federal tax laws.

DATED 4/12/97



STATE OF NEVADA
COUNTY OF CLARK

SS.

This instrument was acknowledged before me on December 2, 1997 by DANIEL F. POLSENBERG.


NOTARY PUBLIC



KAREN WIRIAM MORROW
Notary Public Nevada
Clark County
My appt. exp. Dec. 15, 1998

RECEIVED
DEC 19 1997

SECRETARY OF STATE

Law Office of
BECKLEY, SINGLETON, JEMISON & LIST, CHARTERED
A Professional Law Corporation

SEP-23-98 WED 2:05 PM

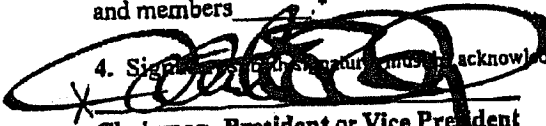
Dean Heller
Secretary of StateSTATE OF NEVADA
OFFICE OF THE SECRETARY OF STATE
101 N. CARSON ST., STE. 3
CARSON CITY, NEVADA 89701-4786Telephone 702.687.5203
Fax 702.687.3471
Web site <http://sos.state.nv.us>
Filing Fee: \$25.00
(\$75.00 min. if formed with stock)

P. 1

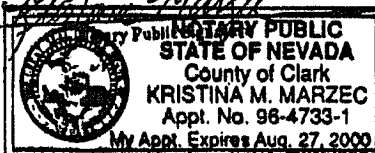
Certificate of Amendment to Articles of Incorporation
For Non Profit Corporations
(NRS Chapters 81.010, 81.410, 81.170 and 82.356 - After First Meeting of Directors)
- Remit in Duplicates -

1. Name of corporation: NEVADA BAR FOUNDATION2. The articles have been amended as follows (provide article numbers, if available):
SEE ATTACHED3. The directors (or trustees) and the members, if any, and such other persons or public officers, if any, as may be required by the articles have approved the amendment. The vote by which the amendment was adopted by the directors and members, if any, is as follows: directors UNANIMOUS and members _____

4. Signature of the person(s) must be acknowledged):


Chairman, President or Vice President
(President or Vice President must sign if corporation is governed by NRS 81.010 or 81.410)
Secretary or Asst. SecretaryState of: Nevada
County of: Clark
This instrument was acknowledged before me on
November 16, 1998, by
Daniel F. Polsenberg (Name of Person)
as President
as designated to sign this certificate
of Nevada Bar Foundation
(name on behalf of whom instrument was executed)
Lisa L. Woodruff
Notary Public SignatureState of: NEVADA
County of: CLARK
This instrument was acknowledged before me on
NOVEMBER 12, 1998, by
Wayne Blevins (Name of Person)
as Secretary
as designated to sign this certificate
of NEVADA BAR FOUNDATION
(name on behalf of whom instrument was executed)LISA L. WOODRUFF
Notary Public - Nevada

Clark County Exp. 12/18/98

KRISTINA M. MARZEC
Appt. No. 96-4733-1
My Appt. Expires Aug. 27, 2000

*A majority of a quorum of the members or as may be required by the articles, must vote in favor of the amendment. If any proposed amendment would alter or change any preference or any relative or other right given to any class of members, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of a majority of a quorum of the voting power of each class of members affected by the amendment regardless of limitations or restrictions on their voting power.

IMPORTANT: Failure to include any of the above information and remit the proper fees may cause this filing to be rejected.

Paragraph 5 "PURPOSE AND LIMITATIONS" has been revised by adding the following paragraph as subsection "c":

c. Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation contributions to which are deductible under section 170(c)(2) of the Internal Revenue code of 1986 (or the corresponding provision of any future United States Internal Revenue law.

Paragraph 14 "DISSOLUTION" has been revised by adding the following paragraph after the first line of paragraph 14:

Upon winding up and dissolution of this corporation, after paying or adequately providing for the debts and obligations of the corporation, the remaining assets shall be distributed to a non-profit fund, foundation, or corporation which is organized and operated exclusively for charitable, educational, religious, and/or scientific purposes and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code.

EXHIBIT 2

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JAN 20 1999

NEVADA BAR FOUNDATION
600 EAST CHARLESTON BLVD
LAS VEGAS, NV 89104

RECEIVED BY
JAN 22 1999
STATE BAR OF NEVADA

Employer Identification Number:
88-0399023
DLN:
17053234700008
Contact Person:
EO CUSTOMER SERVICE ID# 95777
Contact Telephone Number:
(213) 894-2289
Accounting Period Ending:
December 31
Foundation Status Classification:
170(b)(1)(A)(vi)
Advance Ruling Period Begins:
December 19, 1997
Advance Ruling Period Ends:
December 31, 2001
Addendum Applies:
no

Dear Applicant:

Based on information you supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably expect to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Accordingly, during an advance ruling period you will be treated as a publicly supported organization, and not as a private foundation. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must send us the information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, we will classify you as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, we will classify you as a private foundation for future periods. Also, if we classify you as a private foundation, we will treat you as a private foundation from your beginning date for purposes of section 507(d) and 4940.

Grantors and contributors may rely on our determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you send us the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until we make a final determination of your foundation status.

If we publish a notice in the Internal Revenue Bulletin stating that we

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will no longer treat you as a publicly supported organization, grantors and contributors may not rely on this determination after the date we publish the notice. In addition, if you lose your status as a publicly supported organization, and a grantor or contributor was responsible for, or was aware of, the act or failure to act, that resulted in your loss of such status, that person may not rely on this determination from the date of the act or failure to act. Also, if a grantor or contributor learned that we had given notice that you would be removed from classification as a publicly supported organization, then that person may not rely on this determination as of the date he or she acquired such knowledge.

If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name or address.

As of January 1, 1984, you are liable for social security taxes under the Federal Insurance Contributions Act on amounts of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the private foundation excise taxes under Chapter 42 of the Internal Revenue Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Internal Revenue Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Donors may deduct contributions to you only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, gives guidelines regarding when taxpayers may deduct payments for admission to, or other participation in, fundraising activities for charity.

You are not required to file Form 990, Return of Organization Exempt From Income Tax, if your gross receipts each year are normally \$25,000 or less. If you receive a Form 990 package in the mail, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return. Because you will be treated as a public charity for return filing purposes during your entire advance ruling period, you should file Form 990 for each year in your advance ruling period that you exceed the \$25,000 filing threshold even if your sources of support do not satisfy the public support test specified in the heading of this letter.

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If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete. So, please be sure your return is complete before you file it.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-B, Exempt Organization Business Income Tax Return. In this letter we are determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, any supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of \$20 per day for each day of failure to comply (up to a maximum of \$10,000 in the case of an annual return).

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, we will assign a number to you and advise you of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

This determination is based on evidence that your funds are dedicated to the purposes listed in section 501(c)(3) of the Code. To assure your continued compliance, you should keep records to show that funds are spent only for those purposes. If you distribute funds to other organizations, your records should show whether they are exempt under section 501(c)(3). In cases where the recipient organization is not exempt under section 501(c)(3), you must have assurance that the funds will remain dedicated to the required purposes and that the recipient will use the funds for those purposes.

If you distribute funds to individuals, you should keep case histories showing the recipients' names, addresses, purposes of awards, manner of selection, and relationship (if any) to members, officers, trustees or donors of the organization to you, so that you can substantiate upon request by the Internal Revenue Service any and all distributions you made to individuals. (Revenue Ruling 59-60, 1959-2 CB 238; Rev. Rul. 79-250, 1979-2 CB 184; Rev. Rul. 84-137, 1984-1 CB 184; Rev. Rul. 84-138, 1984-1 CB 185; Rev. Rul. 84-139, 1984-1 CB 186; Rev. Rul. 84-140, 1984-1 CB 187; Rev. Rul. 84-141, 1984-1 CB 188; Rev. Rul. 84-142, 1984-1 CB 189; Rev. Rul. 84-143, 1984-1 CB 190; Rev. Rul. 84-144, 1984-1 CB 191; Rev. Rul. 84-145, 1984-1 CB 192; Rev. Rul. 84-146, 1984-1 CB 193; Rev. Rul. 84-147, 1984-1 CB 194; Rev. Rul. 84-148, 1984-1 CB 195; Rev. Rul. 84-149, 1984-1 CB 196; Rev. Rul. 84-150, 1984-1 CB 197; Rev. Rul. 84-151, 1984-1 CB 198; Rev. Rul. 84-152, 1984-1 CB 199; Rev. 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Rul. 84-483, 1984-1 CB 530; Rev. Rul. 84-484, 1984-1 CB 531; Rev. Rul. 84-485, 1984-1 CB 532; Rev. Rul. 84-486, 1984-1 CB 533; Rev. Rul. 84-487, 1984-1 CB 534; Rev. Rul. 84-488, 1984-1 CB 535; Rev. Rul. 84-489, 1984-1 CB 536; Rev. Rul. 84-490, 1984-1 CB 537; Rev. Rul. 84-491, 1984-1 CB 538; Rev. Rul. 84-492, 1984-1 CB 539; Rev. Rul. 84-493, 1984-1 CB 540; Rev. Rul. 84-494, 1984-1 CB 541; Rev. Rul. 84-495, 1984-1 CB 542; Rev. Rul. 84-496, 1984-1 CB 543; Rev. Rul. 84-497, 1984-1 CB 544; Rev. Rul. 84-498, 1984-1 CB 545; Rev. Rul. 84-499, 1984-1 CB 546; Rev. Rul. 84-500, 1984-1 CB 547; Rev. Rul. 84-501, 1984-1 CB 548; Rev. Rul. 84-502, 1984-1 CB 549; Rev. Rul. 84-503, 1984-1 CB 550; Rev. Rul. 84-504, 1984-1 CB 551; Rev. Rul. 84-505, 1984-1 CB 552; Rev. Rul. 84-506, 1984-1 CB 553; Rev. Rul. 84-507, 1984-1 CB 554; Rev. Rul. 84-508, 1984-1 CB 555; Rev. Rul. 84-509, 1984-1 CB 556; Rev. Rul. 84-510, 1984-1 CB 557; Rev. Rul. 84-511, 1984-1 CB 558; Rev. Rul. 84-512, 1984-1 CB 559; Rev. Rul. 84-513, 1984-1 CB 560; Rev. Rul. 84-514, 1984-1 CB 561; Rev. Rul. 84-515, 1984-1 CB 562; Rev. Rul. 84-516, 1984-1 CB 563; Rev. Rul. 84-517, 1984-1 CB 564; Rev. Rul. 84-518, 1984-1 CB 565; Rev. Rul. 84-519, 1984-1 CB 566; Rev. Rul. 84-520, 1984-1 CB 567; Rev. Rul. 84-521, 1984-1 CB 568; Rev. Rul. 84-522, 1984-1 CB 569; Rev. Rul. 84-523, 1984-1 CB 570; Rev. Rul. 84-524, 1984-1 CB 571; Rev. Rul. 84-525, 1984-1 CB 572; Rev. Rul. 84-526, 1984-1 CB 573; Rev. Rul. 84-527, 1984-1 CB 574; Rev. Rul. 84-528, 1984-1 CB 575; Rev. Rul. 84-529, 1984-1 CB 576; Rev. Rul. 84-530, 1984-1 CB 577; Rev. Rul. 84-531, 1984-1 CB 578; Rev. Rul. 84-532, 1984-1 CB 579; Rev. Rul. 84-533, 1984-1 CB 580; Rev. Rul. 84-534, 1984-1 CB 581; Rev. Rul. 84-535, 1984-1 CB 582; Rev. Rul. 84-536, 1984-1 CB 583; Rev. Rul. 84-537, 1984-1 CB 584; Rev. Rul. 84-538, 1984-1 CB 585; Rev. Rul. 84-539, 1984-1 CB 586; Rev. Rul. 84-540, 1984-1 CB 587; Rev. Rul. 84-541, 1984-1 CB 588; Rev. Rul. 84-542, 1984-1 CB 589; Rev. Rul. 84-543, 1984-1 CB 590; Rev. Rul. 84-544, 1984-1 CB 591; Rev. Rul. 84-545, 1984-1 CB 592; Rev. Rul. 84-546, 1984-1 CB 593; Rev. Rul. 84-547, 1984-1 CB 594; Rev. Rul. 84-548, 1984-1 CB 595; Rev. Rul. 84-549, 1984-1 CB 596; Rev. Rul. 84-550, 1984-1 CB 597; Rev. Rul. 84-551, 1984-1 CB 598; Rev. Rul. 84-552, 1984-1 CB 599; Rev. Rul. 84-553, 1984-1 CB 600; Rev. Rul. 84-554, 1984-1 CB 601; Rev. Rul. 84-555, 1984-1 CB 602; Rev. Rul. 84-556, 1984-1 CB 603; Rev. Rul. 84-557, 1984-1 CB 604; Rev. Rul. 84-558, 1984-1 CB 605; Rev. Rul. 84-559, 1984-1 CB 606; Rev. Rul. 84-560, 1984-1 CB 607; Rev. Rul. 84-561, 1984-1 CB 608; Rev. Rul. 84-562, 1984-1 CB 609; Rev. Rul. 84-563, 1984-1 CB 610; Rev. Rul. 84-564, 1984-1 CB 611; Rev. Rul. 84-565, 1984-1 CB 612; Rev. Rul. 84-566, 1984-1 CB 613; Rev. Rul. 84-567, 1984-1 CB 614; Rev. Rul. 84-568, 1984-1 CB 615; Rev. Rul. 84-569, 1984-1 CB 616; Rev. Rul. 84-570, 1984-1 CB 617; Rev. Rul. 84-571, 1984-1 CB 618; Rev. Rul. 84-572, 1984-1 CB 619; Rev. Rul. 84-573, 1984-1 CB 620; Rev. Rul. 84-574, 1984-1 CB 621; Rev. Rul. 84-575, 1984-1 CB 622; Rev. Rul. 84-576, 1984-1 CB 623; Rev. Rul. 84-577, 1984-

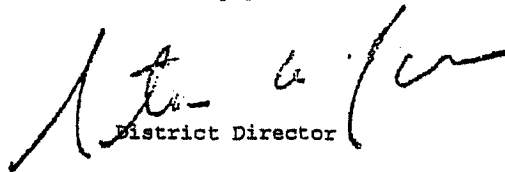
NEVADA BAR FOUNDATION

If we said in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help us resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



District Director

Enclosure(s):
Form 872-C

EXHIBIT 3

Form 6018
(Rev. Aug. 1983)

Department of the Treasury - Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Case Number
502095010

Date of Latest Determination Letter
January 20, 1999

Employer Identification Number
88-0399023

Date of Proposed Adverse Action Letter
AUG 26 2002

Name and Address of Organization

Nevada Bar Foundation
% Marc Mersol
600 E. Charleston Blvd.
Las Vegas, NV 89104-1563

I consent to the proposed adverse action relative to the above organization as shown below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

☐ Denial of exemption

☐ Revocation of exemption, effective.

☐ Modification of exemption from section 501(c)() to section 501(c)(), effective

☒ Classification as a private foundation described in section 509(a), effective **AUG 26 2002**

☐ Classification as an private operating foundation described in sections 509(a) and 4942(j)(3), effective for

☐ Classification as an organization described in section 509(a)(), effective

☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgement under section 7428.

(Signature instructions on Back)

Name of Organization:

Signature and Title

Date

Signature and Title

Date

EXHIBIT 4

NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
FINANCIAL STATEMENTS
DECEMBER 31, 2013



NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nevada Law Foundation
dba Justice League of Nevada
Las Vegas, Nevada

We have audited the accompanying financial statements of Nevada Law Foundation dba Justice League of Nevada (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada Law Foundation dba Justice League of Nevada as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Las Vegas, Nevada
May 18, 2014

Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.TrustHRC.com

**NEVADA LAW FOUNDATION
db: JUSTICE LEAGUE OF NEVADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,558,725
Accounts receivable	186,530
Prepaid expenses	<u>1,973</u>

3,747,228

OTHER ASSETS

Cash and cash equivalents, permanently restricted	31,719
Investments, permanently restricted	416,598
Property and equipment, net	<u>562,480</u>

Total assets	<u>\$ 4,758,025</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,174
Grants payable	<u>1,787,258</u>

1,800,432

LONG-TERM LIABILITIES

Rent deposit	<u>1,500</u>
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Total liabilities	1,801,932
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NET ASSETS

Unrestricted	2,507,776
Permanently restricted	<u>448,317</u>

Total net assets	<u>2,956,093</u>
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	<u>\$ 4,758,025</u>
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See notes to financial statements.

**NEVADA LAW FOUNDATION
dbs JUSTICE LEAGUE OF NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

UNRESTRICTED NET ASSETS

Support:

IOLTA Contributions	\$ 2,037,574
Donations	22,940
Investment income	13,331
Rental income	20,063
	<u>2,093,908</u>

Expenses:

Program services	1,778,508
Management and general	125,790
Fundraising	43,223
	<u>1,947,521</u>

Increase in unrestricted net assets	<u>146,387</u>
-------------------------------------	----------------

PERMANENTLY RESTRICTED NET ASSETS

Donations	500
Return on investment, net	<u>41,796</u>
Increase in permanently restricted net assets	<u>42,296</u>

INCREASE IN NET ASSETS	188,683
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NET ASSETS, BEGINNING OF YEAR	<u>2,767,410</u>
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NET ASSETS, END OF YEAR	<u>\$ 2,956,093</u>
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See notes to financial statements.

CLJA JUSTICE LEAGUE OF NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program services	Management and general	Fundraising	Total
Audit services	\$ -	\$ 14,210	\$ -	\$ 14,210
Bank charges and fees	-	812	-	812
Depreciation	-	13,558	-	13,558
Dues and subscriptions	-	150	-	150
Fees	-	6,681	-	6,681
Insurance	-	4,598	-	4,598
Legal aid grants for the disadvantaged	1,778,508	-	-	1,778,508
Management services	-	58,016	-	58,016
Meetings	-	5,333	-	5,333
Office expense	-	5,720	409	6,129
Payroll taxes	-	-	3,799	3,799
Property taxes	-	1,656	-	1,656
Repairs and maintenance	-	2,326	-	2,326
Salaries	-	-	39,015	39,015
Telephone	-	2,301	-	2,301
Travel	-	5,330	-	5,330
Utilities	-	5,099	-	5,099
	<u>\$ 1,778,508</u>	<u>\$ 125,790</u>	<u>\$ 43,223</u>	<u>\$ 1,947,521</u>

See notes to financial statements.

**NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 188,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,558
Realized gain on investments	(46,334)
Unrealized loss on investments	14,696
Contributions restricted for long-term purposes	(500)
(Increase) decrease in operating assets:	
Change in cash restricted for long-term purposes	(3,095)
Accounts receivable	(1,721)
Prepaid expenses	(675)
Increase (decrease) in operating liabilities:	
Accounts payable	(2,692)
Grants payable	805,933
	<hr/>
Net cash provided by operating activities	967,853

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(304,475)
Sales of investments	296,912
	<hr/>
Net cash used in investing activities	(7,563)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from contributions restricted for:	
Investment in endowment	500
	<hr/>
Net cash provided by financing activities	500

NET INCREASE IN CASH AND CASH EQUIVALENTS

960,790

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,597,935

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 3,558,725

See notes to financial statements.

**NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Nevada Law Foundation dba Justice League of Nevada (Foundation) was incorporated as a nonprofit entity in the state of Nevada in 1982. The Foundation was founded to address the significant need for funding of legal services to the poor and legally disadvantaged in Nevada. The State Bar of Nevada, with the approval of the Supreme Court, designated the Nevada Law Foundation dba Justice League of Nevada for the purposes of providing legally-related services to the poor, to the victims of domestic violence, and to children protected by or in need of protection of the juvenile court; promoting law-related education programs for members of the public; and providing similar programs which qualify for tax-exempt status. To carry out these purposes, the Foundation utilizes the income accrued from interest earned on lawyers' trust accounts (IOLTA) as authorized by Supreme Court Rules 216 through 221.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation also prepares financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205 and subsections. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts, some of which may require revision in future periods.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash consists of cash on hand and demand deposits.

Accounts Receivable

Receivables at December 31, 2013 represent amounts due from the IOLTA accounts. Receivables are considered collectible by management and, accordingly, an allowance for doubtful receivables would not enhance the usefulness of the information.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

**NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give (pledges receivable) are recognized as contribution revenue in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are stated at cost. Property and equipment acquired by donation are stated at the fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of three to forty years.

Income Tax Status

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. In accordance with the accounting standards, the Foundation evaluates its income tax positions each fiscal year to determine whether the Foundation's tax position is more likely than not to be sustained if examined by the applicable tax authority. This review had no material impact on the Foundation's financial statements. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are satisfied in the same reporting period are shown as unrestricted support in the statement of activities.

Expense Allocations

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

NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets.

Subsequent Events

Subsequent events have been evaluated through May 18, 2014 which is the date the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consist of the following:

Land, held as rental property	\$ 251,410
Building, held as rental property	<u>388,637</u>
	640,047
Office equipment and furniture	<u>52,507</u>
	692,554
Less accumulated depreciation	<u>130,074</u>
	<u>\$ 562,480</u>

Depreciation expense was \$13,558 for the year ended December 31, 2013.

NOTE 3. BOARD-DESIGNATED FUNDS

The Foundation maintains a reserve account that is board-designated for grants. The Reserve accounts aim to maintain a reserve equal to 75% of the amount granted in the previous year. Previous year IOLTA profits are transferred into the reserve account at the start of the fiscal year. In a year where the reserve account balance equals 75% of the amount of the previous year's grants, no contribution to the reserve account will be made. The funds that were board-designated at December 31, 2013 totaled \$663,965.

NOTE 4. CONCENTRATIONS

The Foundation maintains its cash balances at several financial institutions. Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 per depositor. The total uninsured balance at December 31, 2013 is \$2,698,591.

**NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 5. INVESTMENTS

Investments at December 31, 2013 consist of the following:

Stocks	\$ 210,554
Bonds	<u>206,044</u>
	<u>\$ 416,598</u>

Investment return for the year ended December 31, 2013 consists of the following:

Interest and dividends, unrestricted	\$ 13,331
Interest and dividends, restricted	14,457
Realized and unrealized gains, restricted	31,426
Investment fees	<u>(4,087)</u>
	<u>\$ 55,127</u>
Investment income, unrestricted	13,331
Investment gain, restricted	<u>41,796</u>
Total investment income	<u>\$ 55,127</u>

In accordance with FASB ASC 820-10 and subsections, formerly SFAS No. 157 Fair Value Measurements, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.

Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Level 3 inputs are unobservable inputs for the assets.

The Foundation's only assets valued at fair value are its investments. The Foundation holds all of its investments in publicly traded equity or debt instruments as follows:

	<u>Level 1</u>
Trading securities – equity	\$ 210,554
Debt instruments	<u>206,044</u>
	<u>\$ 416,598</u>

NOTE 6. ENDOWMENT FUND

As of December 31, 2013, the Foundation has one endowment fund. The Colleague Fund and earnings are permanently restricted up to \$2,000,000. When the fund reaches this amount, the interest and earnings can be used for operations of the Foundation.

NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 6. ENDOWMENT FUND (CONTINUED)

The Foundation's endowment funds consist of the following assets as of December 31, 2013:

Cash	\$ 31,719
Investments	<u>416,598</u>
	<u>\$ 448,317</u>

The endowment includes only donor-restricted endowment funds and earnings. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in accordance with the donors' wishes. There are no board designations of endowment funds. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ -	\$ 448,317	\$ 448,317
Total funds	\$ -	\$ -	\$ 448,317	\$ 448,317

NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 6. ENDOWMENT FUND (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 406,021	\$ 406,021
Investment return:				
Investment income, net	-	-	14,457	14,457
Net appreciation (realized and unrealized)	-	-	31,426	31,426
Investment fees	-	-	(4,087)	(4,087)
Total investment return	-	-	41,796	41,796
Contributions	-	-	500	500
Endowment net assets, end of year	\$ -	\$ -	\$ 448,317	\$ 448,317

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at December 31, 2013.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as board designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that exceed market while assuming a prudent level of investment risk at or below the volatility level of appropriate market and peer benchmarks indentified. The Foundation targets a diversified asset allocation of equities, fixed income, and cash equivalents through mutual fund investments.

NEVADA LAW FOUNDATION
dba JUSTICE LEAGUE OF NEVADA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 7. LEGAL AID GRANTS FOR THE DISADVANTAGED

The Foundation authorized grants for legal assistance to the following nonprofit entities for the year ending December 31, 2013:

Committee to Aid Abused Women	\$ 39,000
Court Appointed Special Advocates Carson City	16,000
Court Appointed Special Advocates Northeastern Nevada	15,000
Court Appointed Special Advocates Pioneer Territories	15,608
Douglas County Special Advocates for the Elderly	12,600
Legal Aid Center for Southern Nevada	920,000
Nevada Legal Services	250,000
Nevada Disability Advocacy and Law Center	20,000
Nevada Rural Counties RSVP	38,000
Stop Abuse in the Family Environment	14,750
Southern Nevada Senior Law Program	130,000
Temporary Assistance for Domestic Crisis	28,800
Voluntary Attorneys for Rural Nevada	100,000
Washoe Legal Services	<u>187,500</u>
	<u>\$ 1,787,258</u>

NOTE 8. RENTAL INCOME

In January 2011, the Foundation entered into a three-year rental agreement of the land and building expiring January 31, 2014. The tenant pays \$1,500 per month for the first year with an annual increase rent of \$50 per month. The carrying amount of the rental property is \$640,047. Associated accumulated depreciation at December 31, 2013 is \$85,204. Under the noncancelable contract, the future minimum lease payments to be received are as follows:

2014	\$ <u>1,600</u>
	\$ <u>1,600</u>

Subsequent to year-end, the property's lease was not renewed and the property is listed for sale. The Foundation is in escrow to sell the property.

NOTE 9. SUBSEQUENT EVENTS

Subsequent to year-end, the Foundation received notice that the Nevada Supreme Court will rule that administration of the IOLTA program will be transferred to the Nevada Bar Foundation. This ruling is expected to occur in 2014. Since the majority of the Foundation's revenue is from IOLTA funds, the Foundation has decided to dissolve when the banks have ceased transferring IOLTA funds to the Foundation. This is expected to occur in 2014, or 2015.