

ONEJUSTICE

FINANCIAL STATEMENTS

JUNE 30, 2014

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Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
OneJustice

Report on the Financial Statements

We have audited the accompanying financial statements of OneJustice (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2014, 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 misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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 OneJustice as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2013 was derived from the financial statements of OneJustice as of June 30, 2013, which were audited by other auditors whose report dated September 15, 2013, expressed an unmodified opinion on those statements.

Harrington Group

San Francisco, California
October 6, 2014

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ONEJUSTICE

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With comparative totals at June 30, 2013

	2014	(As restated) 2013
Assets		
Cash and cash equivalents	\$ 916,541	\$ 693,368
Accounts receivable (Note 2)	78,565	182,253
Prepaid expenses	42,813	32,065
Property and equipment (Note 4)	2,612	2,970
Total assets	\$ 1,040,531	\$ 910,656
Liabilities and net assets		
Accounts payable	\$ 22,700	\$ 9,069
Accrued liabilities (Note 5)	100,371	106,639
Deferred revenue	218,379	137,164
Total liabilities	341,450	252,872
Net assets		
Unrestricted	382,376	336,641
Board designated (Note 8)	232,463	232,463
Temporarily restricted (Note 7)	84,242	88,680
Total net assets	699,081	657,784
Total liabilities and net assets	\$ 1,040,531	\$ 910,656

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

ONEJUSTICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	2014	(As restated) 2013
Revenue and support				
Fee for service contracts	\$ 824,196	\$ -	\$ 824,196	\$ 712,546
Grants	420,718	102,500	523,218	579,363
Special event	192,207		192,207	139,805
Contributions	137,048	54,381	191,429	155,887
In-kind contributions	114,579		114,579	52,104
Workshops and conference	50,209		50,209	45,976
Other income	1,321		1,321	5,571
Interest	707		707	1,000
Net assets released from restrictions	161,319	(161,319)	-	-
Total revenue and support	1,902,304	(4,438)	1,897,866	1,692,252
Expenses				
Program services	1,447,855		1,447,855	1,347,481
Management and general	203,128		203,128	88,697
Fundraising	205,586		205,586	186,866
Total expenses	1,856,569	-	1,856,569	1,623,044
Change in net assets	45,735	(4,438)	41,297	69,208
Net assets, beginning of year	569,104	88,680	657,784	588,576
Net assets, end of year	\$ 614,839	\$ 84,242	\$ 699,081	\$ 657,784

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

ONEJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014
With comparative totals for the year ended June 30, 2013

	Program Services				Support Services			Total Expenses	
	Legal Aid Association of California	Healthy Nonprofits	Pro Bono Justice	Total Program Services	Management and General	Fundraising	Total Support Services	2014	2013
Salaries	\$ 137,389	\$ 452,918	\$ 330,304	\$ 920,611	\$ 57,709	\$ 106,240	\$ 163,949	\$ 1,084,560	\$ 949,072
Payroll taxes	11,542	38,223	27,636	77,401	4,924	9,142	14,066	91,467	80,488
Employee benefits	14,614	48,610	35,070	98,294	6,225	11,844	18,069	116,363	100,198
Total personnel cost	163,545	539,751	393,010	1,096,306	68,858	127,226	196,084	1,292,390	1,129,758
Contracted services	7,759	86,042	16,695	110,496	5,316	3,991	9,307	119,803	168,666
In-kind services					114,579		114,579	114,579	52,104
Travel and training	12	14,338	68,877	83,227	1,394	2,898	4,292	87,519	29,929
Rent	9,526	14,197	36,737	60,460	4,565	5,701	10,266	70,726	63,920
Fundraising event expense						46,679	46,679	46,679	26,010
Supplies, postage and printing	1,865	5,026	12,764	19,655	1,334	9,020	10,354	30,009	13,960
Meetings	1	6,942	9,062	16,005	834	1,654	2,488	18,493	5,490
Telephone and online	1,327	3,358	7,389	12,074	1,208	3,802	5,010	17,084	20,078
Dues and fees	544	6,975	4,809	12,328	1,174	2,711	3,885	16,213	13,723
Seminar/conference/event		5,926	4,691	10,617	216		216	10,833	8,680
Program event expenses		8,751		8,751				8,751	63,286
Insurance	1,013	1,562	4,412	6,987	624	625	1,249	8,236	9,419
Repair and maintenance	494	831	2,466	3,791	311	304	615	4,406	5,626
Meals/entertainment	3,506	125	275	3,906		101	101	4,007	1,660
Depreciation					2,643		2,643	2,643	3,082
Library	54	1,017	306	1,377	68	874	942	2,319	2,438
Advertising	1,875			1,875				1,875	215
Miscellaneous					4		4	4	5,000
Total 2014 functional expenses	\$ 191,521	\$ 694,841	\$ 561,493	\$ 1,447,855	\$ 203,128	\$ 205,586	\$ 408,714	\$ 1,856,569	
Total 2013 functional expenses	\$ 275,722	\$ 694,904	\$ 376,855	\$ 1,347,481	\$ 88,697	\$ 186,866	\$ 275,563		\$ 1,623,044

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

ONEJUSTICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	2014	(As restated) 2013
Cash flows from operating activities:		
Change in net assets	\$ 41,297	\$ 69,208
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,643	3,082
Changes in operating assets and liabilities:		
Decrease in accounts receivable	103,688	100,332
(Increase) in prepaid expenses	(10,748)	(578)
Increase in accounts payable	13,631	9,069
(Decrease) increase in accrued liabilities	(6,268)	17,174
Increase in deferred revenue	81,215	1,773
Net cash provided by operating activities	225,458	200,060
Cash flows from investing activities:		
Purchase of property and equipment	(2,285)	-
Net cash (used) by investing activities	(2,285)	-
Net increase in cash and cash equivalents	223,173	200,060
Cash and cash equivalents, beginning of year	693,368	493,308
Cash and cash equivalents, end of year	\$ 916,541	\$ 693,368

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

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Name Change

On March 1, 2011, the name of the organization was changed from Public Interest Clearinghouse to OneJustice to symbolize the organization's commitment to one justice system that works equally for all. The organization is currently registered with the County of San Francisco as the Public Interest Clearinghouse dba OneJustice, and is in the process of changing its name with the California Secretary of State and then with the federal Internal Revenue Service.

Nature of Activities

Founded in 1979, OneJustice brings life-changing legal assistance to Californians in need.

The Need

Millions of Californians face legal barriers to basic life necessities and experience needless suffering from solvable legal problems. OneJustice supports a network — over 100 nonprofit legal organizations, 14 law schools, 27 law firms and corporations, and hundreds of lawyer and law student volunteers— that takes on the Herculean task of trying to meet the legal needs of over 8 million low-income Californians with pressing legal problems. We achieve our mission with a statewide approach that allows us to identify communities in crisis and respond, strengthen the capacity of every nonprofit in the system, and engage volunteerism in even the most remote corners of the state.

Pro Bono Justice: Increasing Volunteerism in the Legal Community

While there are hundreds of nonprofits across California that provide a safety net for low-income people, too often people in need slip through the cracks because these nonprofits are stretched too thin. OneJustice's Pro Bono Justice program addresses this lack of resources by expanding volunteerism in the legal community, working with law schools, law firms, corporate legal departments and nonprofit legal organizations.

For example, OneJustice's Justice Bus® Project brings teams of attorney and law student volunteers to rural and isolated communities to provide vital legal services to clients in partnership with nonprofit legal organizations.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

1. **Organization, continued**

Healthy Nonprofits Program: Supporting Excellence in Nonprofit Management

When low-income Californians face legal problems, they turn to a network of over one hundred nonprofit legal organizations for life-changing legal assistance. Many leaders of these nonprofits are hired based on careers of outstanding legal advocacy on behalf of low-income communities rather than for existing skills in nonprofit management. Once able to “get by” due to reliable streams of government funding, these nonprofits are also now faced with significant change in their historical business model. These nonprofits – and executive directors – need a new set of skills around effective fundraising, marketing, strategic planning, program evaluation, and board development. To address this need, OneJustice’s Healthy Nonprofits program provides training, coaching, and consulting to the boards, executives, and senior management to build the leadership and management skills they need to survive and thrive in the increasingly complex nonprofit sector

For example, OneJustice offers its Executive Fellowship, a comprehensive, ten-month program on nonprofit management, drawing faculty from the for-profit and larger nonprofit sector on topics including financial leadership, governance, communications, human resources, change management, and fundraising. OneJustice also serves as a “hub” for Equal Justice Works AmeriCorps Fellows in California, providing centralized administration and placing attorneys in full-time, post-graduate Fellowships at nonprofit legal organizations around the state.

Legal Aid Association of California

For over 20 years, OneJustice has provided administrative support and services to the Legal Aid Association of California (LAAC), a separately incorporated nonprofit. During FY2013/2014, OneJustice provided services to LAAC through a formal contractual agreement between the organizations.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. OneJustice has temporarily restricted net assets of \$84,242 at June 30, 2014.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit to expend all of the income (or other economic benefits) derived from the donated assets. OneJustice has no permanently restricted net assets at June 30, 2014.

Cash and Cash Equivalents

OneJustice has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of nine months or less.

Accounts Receivable

Accounts receivable includes outstanding contracts and grants receivable. No allowance for doubtful accounts has been provided as they are all deemed fully collectible.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. OneJustice reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Concentration of Credit Risks

OneJustice places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. OneJustice has not incurred losses related to these investments.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

OneJustice is required to measure non-cash contributions at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on a non-recurring basis in the period received (see Note 3).

A number of unpaid volunteers have made contributions of their time to OneJustice. However, the value of these services is not reflected in these statements because the criterion for recognition has not been satisfied.

Functional Allocation of Expenses

Costs of providing OneJustice's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. OneJustice uses the salaries expense related to each functional category to allocate indirect costs.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

OneJustice is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by OneJustice in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. OneJustice's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

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 OneJustice's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassification

For comparability, certain June 30, 2013 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2014.

Subsequent Events

Management has evaluated subsequent events through October 6, 2014, the date which the financial statements were available.

3. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	<u>\$ -</u>	<u>\$114,579</u>	<u>\$ -</u>	<u>\$114,579</u>

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

3. Fair Value Measurements, continued

The fair value of contributed services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

4. Property and Equipment

Property and equipment at June 30, 2014 consist of the following:

Furniture and equipment	\$ 18,446
Less: accumulated depreciation	<u>(15,834)</u>
	<u>\$ 2,612</u>

Depreciation expense during the year ended June 30, 2014 was \$2,643.

5. Accrued Liabilities

Accrued liabilities at June 30, 2014 consist of the following:

Accrued salaries	\$ 48,065
Accrued vacation	35,919
Other	<u>16,387</u>
	<u>\$100,371</u>

6. Commitments and Contingencies

Obligations Under Operating Leases

OneJustice leases various facilities under operating leases with various terms. Future minimum payments by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2015	\$ 79,123
2016	76,556
2017	<u>23,332</u>
	<u>\$179,011</u>

Rent expense under operating leases for the year ended June 30, 2014 was \$70,726.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 consist of the following:

Bigglesworth Family Foundation	\$65,000
Van Löben Sels/Rembe Rock Foundation	10,000
California Bar Foundation	7,500
Manatt, Phelps & Phillips	871
O'Melveny & Myers LLP	871
	<u>\$84,242</u>

For the year ended June 30, 2014, net assets released from program restrictions were \$161,319.

8. Board Designated Net Assets

OneJustice received a Cy Pres award of \$400,000 in October 2009. The OneJustice Board of Directors approved the use of \$55,533 of the award in fiscal year 2009-2010 and designated the remaining funds of \$344,467 for future program expansion and organizational growth. The Board approved the use of \$43,000 for program expansion in fiscal year 2010-2011 and the use of \$69,004 for organizational growth in fiscal year 2011-2012, ending with a remaining balance of \$232,463. The Board did not project the need for the use of any board designated funds for program expansion in fiscal year 2012-2013 and 2013-2014 and therefore did not approve the use of any funds in those fiscal years.

9. Restatement of Net Assets

Beginning net assets at July 1, 2013, have been restated to correctly reflect the recording of accrued salaries, accounts receivable and other accrued liabilities in the prior year. The comparative totals for June 30, 2013 presented in these financial statements have been restated to reflect the corrected balances as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Financial Position:</u>			
Cash	\$ 642,920	\$ 50,448	\$ 693,368
Account receivable	\$ 206,905	\$ (24,652)	\$ 182,253
Total assets	\$ 884,860	\$ 25,796	\$ 910,656
Accounts payable	\$ -	\$ 9,069	\$ 9,069
Accrued liabilities	\$ 50,260	\$ 56,379	\$ 106,639
Total liabilities	\$ 187,424	\$ 65,448	\$ 252,872
Unrestricted net assets	\$ 351,641	\$ (15,000)	\$ 336,641
Temporarily restricted net assets	\$ 113,332	\$ (24,652)	\$ 88,680
Total net assets	\$ 697,436	\$ (39,652)	\$ 657,784

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

9. Restatement of Net Assets, continued

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Activities:</u>			
Net assets, beginning	\$ 628,228	\$ (39,652)	\$ 588,576
<u>Statement of Cash Flows</u>			
Investments	\$ (800)	\$ 800	\$ -
Increase accounts payable	\$ -	\$ 9,069	\$ 9,069
(Decrease) increase accrued expenses	\$ (24,205)	\$ 41,379	\$ 17,174
Cash and cash equivalents - beginning	\$ 185,904	\$ 307,404	\$ 493,308