

ONEJUSTICE

FINANCIAL STATEMENTS

JUNE 30, 2016

CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

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, 2016, 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, 2016, 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

We have previously audited OneJustice's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Francisco, California
March 28, 2017

ONEJUSTICE

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 565,013	\$ 791,279
Accounts receivable (Note 2)	486,957	178,373
Prepaid expenses	27,571	36,069
Property and equipment (Note 4)	990	1,447
TOTAL ASSETS	<u>\$ 1,080,531</u>	<u>\$ 1,007,168</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 21,542	\$ -
Accrued liabilities (Note 5)	107,934	112,177
Deferred revenue	61,929	52,400
TOTAL LIABILITIES	<u>191,405</u>	<u>164,577</u>
NET ASSETS		
Unrestricted	389,387	455,548
Unrestricted - board designated (Note 8)	232,463	232,463
Temporarily restricted (Note 7)	267,276	154,580
TOTAL NET ASSETS	<u>889,126</u>	<u>842,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,080,531</u>	<u>\$ 1,007,168</u>

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

ONEJUSTICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
REVENUE AND SUPPORT				
Fee for service contracts	\$ 784,785	\$ -	\$ 784,785	\$ 789,497
Grants	301,777	427,000	728,777	494,362
Contributions	309,175		309,175	137,867
Special event - net of expenses of \$38,274	186,039		186,039	438,144
Other income	55,800		55,800	2,482
Workshops and conference	52,190		52,190	46,236
In-kind contributions	18,436		18,436	23,611
Interest	300		300	534
Net assets released from purpose restrictions	314,304	(314,304)	-	-
TOTAL REVENUE AND SUPPORT	2,022,806	112,696	2,135,502	1,932,733
EXPENSES				
Program services	1,655,441		1,655,441	1,428,750
Management and general	203,684		203,684	167,386
Fundraising	229,842		229,842	193,087
TOTAL EXPENSES	2,088,967	-	2,088,967	1,789,223
CHANGE IN NET ASSETS	(66,161)	112,696	46,535	143,510
NET ASSETS, BEGINNING OF YEAR	688,011	154,580	842,591	699,081
NET ASSETS, END OF YEAR	\$ 621,850	\$ 267,276	\$ 889,126	\$ 842,591

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

ONEJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
With comparative totals for the year ended June 30, 2015

	Program Services			Support Services			Total Expenses	
	Healthy Nonprofits	Pro Bono Justice	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries	\$ 632,436	\$ 465,175	\$ 1,097,611	\$ 105,207	\$ 142,708	\$ 247,915	\$ 1,345,526	\$ 1,134,905
Payroll taxes	54,550	41,320	95,870	9,246	12,489	21,735	117,605	96,023
Employee benefits	71,364	54,214	125,578	8,740	17,033	25,773	151,351	116,277
Total personnel cost	758,350	560,709	1,319,059	123,193	172,230	295,423	1,614,482	1,347,205
Travel and training	24,705	107,886	132,591	5,075	3,643	8,718	141,309	105,749
Contracted services	27,498	25,599	53,097	42,753	16,472	59,225	112,322	116,929
Rent	20,043	46,071	66,114	2,777	14,484	17,261	83,375	77,987
Supplies, postage, and printing	7,138	11,984	19,122	1,750	8,918	10,668	29,790	28,679
Meetings	12,396	12,150	24,546	2,545	1,127	3,672	28,218	16,222
Telephone and online	3,909	10,516	14,425	1,920	2,969	4,889	19,314	14,996
In-kind services			-	18,436		18,436	18,436	23,611
Dues and fees	7,735	3,489	11,224	569	4,285	4,854	16,078	18,935
Insurance	3,512	2,989	6,501	2,258	815	3,073	9,574	9,710
Library	2,197	170	2,367	299	2,431	2,730	5,097	3,763
Meals/entertainment	615	1,819	2,434	732	1,298	2,030	4,464	3,249
Repair and maintenance	825	2,179	3,004	294	788	1,082	4,086	3,350
Advertising	198	759	957	176	382	558	1,515	1,835
Depreciation			-	457		457	457	1,165
Miscellaneous			-	450		450	450	-
Seminar/conference/event			-			-	-	10,191
Program event expenses			-			-	-	5,647
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 869,121	\$ 786,320	\$ 1,655,441	\$ 203,684	\$ 229,842	\$ 433,526	\$2,088,967	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 818,591	\$ 610,159	\$ 1,428,750	\$ 167,386	\$ 193,087	\$ 360,473		\$ 1,789,223

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

ONEJUSTICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING:		
Change in net assets	\$ 46,535	\$ 143,510
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	457	1,165
(Increase) decrease in operating assets:		
Accounts receivable	(308,584)	(99,808)
Prepaid expenses	8,498	6,744
Increase (decrease) in operating liabilities:		
Accounts payable	21,542	(22,700)
Accrued liabilities	(4,243)	11,806
Deferred revenue	9,529	(165,979)
	<u>(226,266)</u>	<u>(125,262)</u>
NET CASH (USED) BY OPERATING ACTIVITIES		
	<u>(226,266)</u>	<u>(125,262)</u>
NET (DECREASE) IN CASH	<u>(226,266)</u>	<u>(125,262)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>791,279</u>	<u>916,541</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 565,013</u>	<u>\$ 791,279</u>

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

1. **Organization**

Mission

With over 30 years' experience as the backbone for California's civil justice infrastructure, OneJustice brings life-changing legal help to those in need by transforming the civil legal aid system.

The Need

Millions of Californians face legal barriers to basic life necessities and experience needless suffering from solvable legal problems. While California has a strong statewide network of legal services nonprofits that provide free legal help to those in need, there are simply not adequate resources – including attorneys – to meet the overwhelming need for assistance.

Nature of Activities

Building on a rich history of creativity, strong relationships, and excellent programming, OneJustice serves as a sustainable “Innovation Lab” for new ideas and demonstration projects that transform and expand the delivery of civil legal services to low-income and other underserved communities. OneJustice's expertise is its deep knowledge of legal aid and pro bono strategy and in understanding the most pressing issues and how the system can address them. OneJustice provides systems-level analysis on effective legal aid management and delivery and also designs statewide, regional, and local projects that support the continuing development of the legal aid safety net, making it more effective and cohesive on behalf of clients. In terms of key strategies, OneJustice increases the supply of services through the Pro Bono Justice program and strengthens the delivery of services through its Healthy Nonprofits program.

Pro Bono Justice: partnering with the private sector to reach those in need

While there are hundreds of legal services nonprofits across California that provide a safety net for low-income people, too often those 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.

Healthy Nonprofits: increasing service availability through nonprofit strength

Where the boards and executive directors of legal services nonprofits were once able to “get by” with reliable streams of government funding, these nonprofits now face significant shifts in the broader environment and their historical business model. These nonprofits – and their leaders – need a new set of skills around effective fundraising, marketing, strategic planning, program evaluation, and board development. OneJustice's Healthy Nonprofits program provides training, coaching, and consulting to boards, executives, and senior management to build the leadership and management skills they need to survive and thrive in the increasingly complex nonprofit sector.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

OneJustice programs work within the existing service delivery system to close the greatest gaps in legal aid, while also testing new models and piloting new approaches to lead to sector-wide transformation. OneJustice works on a national level as a thought partner and resource, as well as representing the interests of California's legal aid sector in efforts to change policy and systems. OneJustice also supports the import and export of creative ideas by packaging its own approaches and projects for replication in other states and by identifying effective practices from outside California.

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:

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 \$267,276 at June 30, 2016.

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, 2016.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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 this financial statement element is described in the notes below that relate to the element.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2015, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through March 28, 2017, the date which the financial statements were available for issue. No event or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	<u>\$ -</u>	<u>\$18,436</u>	<u>\$ -</u>	<u>\$18,436</u>

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, 2016 consist of the following:

Furniture and equipment	\$ 18,446
Less: accumulated depreciation	<u>(17,456)</u>
	<u>\$ 990</u>

Depreciation expense during the year ended June 30, 2016 was \$457.

5. Accrued Liabilities

Accrued liabilities at June 30, 2016 consist of the following:

Accrued salaries	\$ 70,883
Accrued vacation	<u>37,051</u>
	<u>\$107,934</u>

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

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>	
2017	\$111,725
2018	123,405
2019	104,921
2020	<u>34,609</u>
	<u>\$374,660</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$83,375.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 consist of the following:

Bigglesworth Family Foundation	\$ 70,000
Irmas Foundation	37,502
Grove Foundation	36,667
Y&H Soda	30,000
Manatt, Phelps & Philips, LLP	20,000
California Community Foundation	15,837
Van Löben Sels	15,000
Walter S. Johnson Foundation	9,167
Equal Justice Works Sponsored	6,853
Other	<u>26,250</u>
	<u>\$267,276</u>

For the year ended June 30, 2016, net assets released from purpose restrictions were \$314,304.

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, 2013-2014, 2014-2015 and 2015-2016 and therefore did not approve the use of any funds in those fiscal years.