



ONEJUSTICE

FINANCIAL STATEMENTS

JUNE 30, 2019

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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, 2019, 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, 2019, 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

Report on Summarized Comparative Information

We have previously audited OneJustice's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Oakland, California
January 30, 2020

ONEJUSTICE

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,226,027	\$ 1,302,971
Accounts receivable (Note 2)	252,622	201,076
Pledges receivable (Note 4)	242,500	941,990
Prepaid expenses	62,224	55,674
Property and equipment (Note 5)	-	76
TOTAL ASSETS	<u>\$ 1,783,373</u>	<u>\$ 2,501,787</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 67,154	\$ 72,245
Accrued liabilities (Note 6)	158,671	152,380
Deferred revenue	17,000	8,970
TOTAL LIABILITIES	<u>242,825</u>	<u>233,595</u>
NET ASSETS		
Without donor restrictions	409,743	405,550
Without donor restrictions - board designated (Note 10)	232,463	232,463
With donor restrictions (Note 9)	898,342	1,630,179
TOTAL NET ASSETS	<u>1,540,548</u>	<u>2,268,192</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,783,373</u>	<u>\$ 2,501,787</u>

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

ONEJUSTICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE AND SUPPORT				
Grants	\$ 490,142	\$ 415,500	\$ 905,642	\$ 1,725,128
Fee for service contracts	408,220		408,220	464,341
Contributions	341,754		341,754	333,070
Special event - net of expenses of \$92,715	437,212		437,212	271,437
In-kind contributions	142,106		142,106	35,255
Workshops and conference	104,410		104,410	69,350
Other income	1,519		1,519	-
Interest	783		783	552
Net assets released from restrictions (Note 9)	1,147,337	(1,147,337)	-	-
TOTAL REVENUE AND SUPPORT	3,073,483	(731,837)	2,341,646	2,899,133
EXPENSES				
Program services	2,206,879		2,206,879	2,181,757
Management and general	447,169		447,169	393,272
Fundraising	415,242		415,242	317,727
TOTAL EXPENSES	3,069,290	-	3,069,290	2,892,756
CHANGE IN NET ASSETS	4,193	(731,837)	(727,644)	6,377
NET ASSETS, BEGINNING OF YEAR	638,013	1,630,179	2,268,192	2,261,815
NET ASSETS, END OF YEAR	\$ 642,206	\$ 898,342	\$ 1,540,548	\$ 2,268,192

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

ONEJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2019
 With comparative totals for the year ended June 30, 2018

	Program Services			Support Services		Total Support Services	Total Expenses	
	Healthy Nonprofits	Pro Bono Justice	Total Program Services	Management and General	Fundraising		2019	2018
Salaries	\$ 562,440	\$ 836,074	\$ 1,398,514	\$ 209,581	\$ 231,574	\$ 441,155	\$ 1,839,669	\$ 1,693,811
Employee benefits	50,831	75,338	126,169	18,986	21,138	40,124	166,293	169,815
Payroll taxes	45,877	68,649	114,526	17,194	18,863	36,057	150,583	144,030
Total personnel cost	659,148	980,061	1,639,209	245,761	271,575	517,336	2,156,545	2,007,656
Contracted services	41,074	74,808	115,882	50,767	71,726	122,493	238,375	300,834
Rent	53,458	77,575	131,033	66,346	21,607	87,953	218,986	222,374
In-kind services	20,641	48,728	69,369	66,971	5,766	72,737	142,106	35,255
Travel and training	27,617	89,236	116,853	3,936	4,364	8,300	125,153	141,137
Telephone and online	17,235	18,123	35,358	3,774	11,002	14,776	50,134	37,010
Supplies, postage, and printing	6,959	9,122	16,081	1,695	13,718	15,413	31,494	35,684
Meals and entertainment	2,526	26,375	28,901	494	625	1,119	30,020	32,673
Meetings	13,071	5,700	18,771	379	1,032	1,411	20,182	22,855
Dues and fees	6,979	4,729	11,708	1,649	5,810	7,459	19,167	15,848
Insurance	2,684	3,980	6,664	4,371	1,104	5,475	12,139	12,275
Miscellaneous	5,976		5,976	153	5,250	5,403	11,379	6,019
Repair and maintenance	5,210	3,005	8,215	663	1,064	1,727	9,942	14,201
Advertising	725	1,744	2,469		583	583	3,052	4,389
Library	225	165	390	134	16	150	540	4,089
Depreciation			-	76	-	76	76	457
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 863,528	\$ 1,343,351	\$ 2,206,879	\$ 447,169	\$ 415,242	\$ 862,411	\$ 3,069,290	
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 898,181	\$ 1,283,576	\$ 2,181,757	\$ 393,272	\$ 317,727	\$ 710,999		\$ 2,892,756

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

ONEJUSTICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING:		
Change in net assets	\$ (727,644)	\$ 6,377
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	76	457
(Increase) decrease in operating assets:		
Accounts receivable	(51,546)	2,058
Pledges receivable	699,490	(36,354)
Prepaid expenses	(6,550)	(4,965)
Increase (decrease) in operating liabilities:		
Accounts payable	(5,091)	25,284
Accrued liabilities	6,291	26,462
Deferred revenue	8,030	(67,791)
	<u>(76,944)</u>	<u>(48,472)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(76,944)</u>	<u>(48,472)</u>
NET (DECREASE) IN CASH	<u>(76,944)</u>	<u>(48,472)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,302,971</u>	<u>1,351,443</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,226,027</u>	<u>\$ 1,302,971</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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for future program expansion and organizational growth.

With Donor Restrictions. Net assets are subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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 five thousand dollars and the useful life is greater than one year.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

2. Summary of Significant Accounting Policies, continued**Recently Adopted Accounting Pronouncement**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. OneJustice's financial statements for the year ended June 30, 2019 are presented in accordance with ASU 2016-14.

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, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 30, 2020, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

OneJustice receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. OneJustice manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. OneJustice targets a year-end balance of reserves that can meet at least 4 months of expected expenditures. To achieve this target, OneJustice regularly forecasts its future cash flows and monitors its liquidity and reserves.

Cash and cash equivalents	\$1,226,027
Accounts receivable	252,622
Pledges receivable	<u>230,000</u>
Total financial assets at year-end	1,708,649
Less: cash and pledges with donor restrictions	<u>(898,242)</u>
Assets available to meet general expenditures within one year	<u>\$ 810,407</u>

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges collectible, accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at the estimated fair present value at June 30, 2019. Discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount of pledges receivable at June 30, 2019 of \$242,500 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2020	\$230,000
2021	<u>12,500</u>
	<u>\$242,500</u>

5. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

Furniture and equipment	\$ 16,847
Less: accumulated depreciation	<u>(16,847)</u>
	<u>\$ -</u>

Depreciation expense during the year ended June 30, 2019 was \$76.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

6. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued salaries	\$ 76,795
Accrued vacation	64,917
Other accrued expenses	<u>16,959</u>
	<u>\$158,671</u>

7. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	\$ -	\$142,106	\$ -	\$142,106
Pledges contributions – current year			<u>242,500</u>	<u>242,500</u>
	<u>\$ -</u>	<u>\$142,106</u>	<u>\$242,500</u>	<u>\$384,606</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).

The fair value of pledges contributions – current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledges and based on evaluating the credit worthiness of the donor (Level 3 inputs).

8. 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 ending June 30,</u>	
2020	\$ 269,917
2021	292,910
2022	301,703
2023	305,762
Thereafter	<u>328,691</u>
	<u>\$1,498,983</u>

Rent expense under operating leases for the year ended June 30, 2019 was \$218,986.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

9. Net Assets With Donor Restrictions

Net assets with purpose restrictions as of June 30, 2019 consist of the following:

Healthy Nonprofits	\$449,093
Pro Bono Justice	260,733
Capacity Building	188,016
Other	<u>500</u>
	<u>\$898,342</u>

For the year ended June 30, 2019, net assets released from time and purpose restrictions were \$1,147,337.

10. 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, 2015-2016, 2016-2017, 2017-2018, and 2018-2019 and therefore did not approve the use of any funds in those fiscal years.