

ONEJUSTICE

FINANCIAL STATEMENTS

JUNE 30, 2017

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	6-12

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

San Francisco, California
January 12, 2018

ONEJUSTICE

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,351,443	\$ 565,013
Accounts receivable (Note 2)	203,134	486,957
Pledges receivable (Note 3)	905,636	-
Prepaid expenses	50,709	27,571
Property and equipment (Note 4)	533	990
TOTAL ASSETS	<u>\$ 2,511,455</u>	<u>\$ 1,080,531</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 46,961	\$ 21,542
Accrued liabilities (Note 5)	125,918	107,934
Deferred revenue	76,761	61,929
TOTAL LIABILITIES	<u>249,640</u>	<u>191,405</u>
NET ASSETS		
Unrestricted	413,258	389,387
Unrestricted - board designated (Note 9)	232,463	232,463
Temporarily restricted (Note 8)	1,616,094	267,276
TOTAL NET ASSETS	<u>2,261,815</u>	<u>889,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,511,455</u>	<u>\$ 1,080,531</u>

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

ONEJUSTICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
REVENUE AND SUPPORT				
Grants	\$ 632,979	\$ 1,817,403	\$ 2,450,382	\$ 728,777
Fee for service contracts	586,043		586,043	784,785
Contributions	319,797		319,797	309,175
Special event - net of expenses of \$86,871	243,254		243,254	186,039
Workshops and conference	59,779		59,779	52,190
In-kind contributions	56,663		56,663	18,436
Other income	16,443		16,443	55,800
Interest	329		329	300
Net assets released from purpose restrictions	468,585	(468,585)	-	-
TOTAL REVENUE AND SUPPORT	2,383,872	1,348,818	3,732,690	2,135,502
EXPENSES				
Program services	1,837,394		1,837,394	1,655,441
Management and general	297,716		297,716	203,684
Fundraising	224,891		224,891	229,842
TOTAL EXPENSES	2,360,001	-	2,360,001	2,088,967
CHANGE IN NET ASSETS	23,871	1,348,818	1,372,689	46,535
NET ASSETS, BEGINNING OF YEAR	621,850	267,276	889,126	842,591
NET ASSETS, END OF YEAR	\$ 645,721	\$ 1,616,094	\$ 2,261,815	\$ 889,126

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

ONEJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Program Services			Support Services			Total Expenses	
	Healthy Nonprofits	Pro Bono Justice	Total Program Services	Management and General	Fundraising	Total Support Services	2017	2016
Salaries	\$ 605,037	\$ 574,137	\$ 1,179,174	\$ 109,723	\$ 130,120	\$ 239,843	\$ 1,419,017	\$ 1,345,526
Payroll taxes	52,472	48,629	101,101	9,176	10,765	19,941	121,042	117,605
Employee benefits	66,916	45,682	112,598	19,154	9,257	28,411	141,009	151,351
Total personnel cost	<u>724,425</u>	<u>668,448</u>	<u>1,392,873</u>	<u>138,053</u>	<u>150,142</u>	<u>288,195</u>	<u>1,681,068</u>	<u>1,614,482</u>
Contracted services	19,851	61,383	81,234	100,057	35,065	135,122	216,356	112,322
Travel and training	28,513	133,572	162,085	1,200	1,260	2,460	164,545	141,309
Rent	48,167	44,636	92,803	8,471	10,009	18,480	111,283	83,375
In-kind services	14,137		14,137	42,526		42,526	56,663	18,436
Supplies, postage, and printing	8,212	11,942	20,154	1,017	10,328	11,345	31,499	29,790
Telephone and online	8,932	12,174	21,106	1,485	2,473	3,958	25,064	19,314
Dues and fees	8,091	3,750	11,841	1,340	7,562	8,902	20,743	16,078
Meetings	7,398	5,141	12,539	1,186	879	2,065	14,604	28,218
Repair and maintenance	6,956	3,472	10,428	478	540	1,018	11,446	4,086
Insurance	3,661	3,211	6,872	783	939	1,722	8,594	9,574
Library	4,287		4,287		2,668	2,668	6,955	5,097
Meals/entertainment	1,741	2,835	4,576	345	1,120	1,465	6,041	4,464
Advertising	507	1,952	2,459		1,565	1,565	4,024	1,515
Miscellaneous			-	318	341	659	659	450
Depreciation			-	457		457	457	457
TOTAL 2017 FUNCTIONAL EXPENSES	<u>\$ 884,878</u>	<u>\$ 952,516</u>	<u>\$ 1,837,394</u>	<u>\$ 297,716</u>	<u>\$ 224,891</u>	<u>\$ 522,607</u>	<u>\$ 2,360,001</u>	
TOTAL 2016 FUNCTIONAL EXPENSES	<u>\$ 869,121</u>	<u>\$ 786,320</u>	<u>\$ 1,655,441</u>	<u>\$ 203,684</u>	<u>\$ 229,842</u>	<u>\$ 433,526</u>		<u>\$ 2,088,967</u>

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

ONEJUSTICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING:		
Change in net assets	\$ 1,372,689	\$ 46,535
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	457	457
(Increase) decrease in operating assets:		
Accounts receivable	283,823	(308,584)
Pledges receivable	(905,636)	-
Prepaid expenses	(23,138)	8,498
Increase (decrease) in operating liabilities:		
Accounts payable	25,419	21,542
Accrued liabilities	17,984	(4,243)
Deferred revenue	14,832	9,529
	<u>786,430</u>	<u>(226,266)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>786,430</u>	<u>(226,266)</u>
NET INCREASE (DECREASE) IN CASH	<u>786,430</u>	<u>(226,266)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>565,013</u>	<u>791,279</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,351,443</u>	<u>\$ 565,013</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 \$1,616,094 at June 30, 2017.

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, 2017.

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.

continued

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 five 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, 2016, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 12, 2018, 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.

3. 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, 2017. Discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount of pledges receivable at June 30, 2017 of \$905,636 is expected to be collected as follows:

<u>Year ended June 30,</u>	
2018	\$586,636
2019	<u>319,000</u>
	<u>\$905,636</u>

4. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Furniture and equipment	\$ 18,446
Less: accumulated depreciation	<u>(17,913)</u>
	<u>\$ 533</u>

Depreciation expense during the year ended June 30, 2017 was \$457.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

5. Accrued Liabilities

Accrued liabilities at June 30, 2017 consist of the following:

Accrued salaries	\$ 64,965
Accrued vacation	41,965
Other accrued expenses	<u>18,988</u>
	<u>\$125,918</u>

6. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	\$ -	\$56,663	\$ -	\$ 56,663
Pledges contributions – current year			<u>905,636</u>	<u>905,636</u>
	<u>\$ -</u>	<u>\$56,663</u>	<u>\$905,636</u>	<u>\$962,299</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 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).

7. 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>	
2018	\$123,408
2019	104,921
2020	<u>34,609</u>
	<u>\$262,938</u>

Rent expense under operating leases for the year ended June 30, 2017 was \$111,283.

continued

ONEJUSTICE

NOTES TO FINANCIAL STATEMENTS

8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 consist of the following:

Thomas J. Long Foundation	\$ 891,552
Horace W. Goldsmith Foundation	200,000
Fidelity Charitable Gift Fund	136,000
Irvine Foundation Leadership Award	116,414
Grove Foundation	80,000
Silicon Valley Community Foundation	62,784
Bigglesworth Family Foundation	55,000
Y&H Soda Foundation	30,000
Audrey Irmas Foundation for Social Justice	12,502
Zellerbach Family Foundation	9,429
Walter S. Johnson Foundation	9,167
Equal Justice Works	6,833
Marin Community Foundation	3,912
Van Löben Sels/RembeRock Foundation	2,500
	<u>\$1,616,093</u>

For the year ended June 30, 2017, net assets released from purpose restrictions were \$468,585.

9. 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, and 2016-2017 and therefore did not approve the use of any funds in those fiscal years.