

**Lone Star Justice Alliance  
Financial Statements**

**December 31, 2020 and 2019**

**Lone Star Justice Alliance  
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## **Independent Auditors' Report**

Board of Directors  
Lone Star Justice Alliance

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lone Star Justice Alliance (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditors' consider 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 Lone Star Justice Alliance as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Atchley & Associates, LLP*

Austin, Texas

August 3, 2021

**Lone Star Justice Alliance**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

**ASSETS**

<b>Current assets</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 121,552	\$ 36,868
Receivables		
Grants	99,922	360,576
Donated building use		34,761
Other		22,250
Total receivables	<u>99,922</u>	<u>417,587</u>
Prepaid expenses	<u>20,366</u>	<u>4,500</u>
Total current assets	<u>241,840</u>	<u>458,955</u>
 <b>Non-Current assets</b>		
Security deposit	4,500	4,500
Fixed assets, net	<u>49,567</u>	<u>9,279</u>
Total non-current assets	<u>54,067</u>	<u>13,779</u>
 <b>Total assets</b>	 <u><u>\$ 295,907</u></u>	 <u><u>\$ 472,734</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable	\$ 29,575	\$ 69,462
Line of credit		<u>12,000</u>
Total current liabilities	<u>29,575</u>	<u>81,462</u>
 <b>Net assets</b>		
Without donor restrictions	95,476	41,840
With donor restrictions	<u>170,856</u>	<u>349,432</u>
Total net assets	<u>266,332</u>	<u>391,272</u>
 <b>Total liabilities and net assets</b>	 <u><u>\$ 295,907</u></u>	 <u><u>\$ 472,734</u></u>

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

**Lone Star Justice Alliance**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions For Time or Purpose	Total
Public support and revenue			
Contributions	\$ 71,585	\$ 51,759	\$ 123,344
Government grants	21,538	712,380	733,918
Private grants	167,080	191,500	358,580
In-kind contributions	10,273		10,273
Legal services			
Other revenue	3,953		3,953
Net assets released from restrictions	1,134,215	(1,134,215)	
Total public support and revenue	<u>1,408,644</u>	<u>(178,576)</u>	<u>1,230,068</u>
Expenses			
Program services	1,092,071		1,092,071
Administrative and general	218,768		218,768
Fundraising	44,169		44,169
Total expenses	<u>1,355,008</u>		<u>1,355,008</u>
Change in net assets	53,636	(178,576)	(124,940)
Net assets - beginning of year	<u>41,840</u>	<u>349,432</u>	<u>391,272</u>
Net assets - end of year	<u>\$ 95,476</u>	<u>\$ 170,856</u>	<u>\$ 266,332</u>

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

**Lone Star Justice Alliance**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions For Time or Purpose	Total
Public support and revenue			
Contributions	\$ 59,579		\$ 59,579
Government grants		409,871	409,871
Private grants	100,000	434,525	534,525
In-kind contributions	107,749	36,574	144,323
Legal services	85,000		85,000
Other revenue	835		835
Net assets released from restrictions	551,291	(551,291)	
Total public support and revenue	<u>904,454</u>	<u>329,679</u>	<u>1,234,133</u>
Expenses			
Program services	614,536		614,536
Administrative and general	235,583		235,583
Fundraising	10,981		10,981
Total expenses	<u>861,100</u>		<u>861,100</u>
Change in net assets	43,354	329,679	373,033
Net assets - beginning of year	<u>(1,514)</u>	<u>19,753</u>	<u>18,239</u>
Net assets - end of year	<u>\$ 41,840</u>	<u>\$ 349,432</u>	<u>\$ 391,272</u>

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

**Lone Star Justice Alliance**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 682,700	\$ 88,205	\$ 31,299	\$ 802,204
Other professional services	224,469	65,952		290,421
Occupancy	104,337	13,704	7,475	125,516
Technology & software	43,051	4,854	2,605	50,510
Depreciation	19,005	4,863		23,868
Supplies and materials	8,128	8,233		16,361
Insurance	4,996	8,383		13,379
Travel & meals	2,073	10,525		12,598
Bank fees and interest		7,060		7,060
Direct participant support	3,287	1,490		4,777
Donated legal service				
Other expenses	25	3,884	2,290	6,199
Advertising		1,615	500	2,115
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,092,071</u></u>	<u><u>\$ 218,768</u></u>	<u><u>\$ 44,169</u></u>	<u><u>\$ 1,355,008</u></u>

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



**Lone Star Justice Alliance**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 324,028	\$ 84,332	\$ 8,409	\$ 416,769
Other professional services	119,832	9,671		129,503
Occupancy	68,743	11,111	370	80,224
Technology & software	8,903	1,743	58	10,704
Depreciation	6,186			6,186
Supplies and materials	17,430	2,931	98	20,459
Insurance	7,757	1,348	45	9,150
Travel & meals	44,648	18,347		62,995
Bank fees and interest		3,391		3,391
Direct participant support	1,545			1,545
Donated legal service	15,260	101,058		116,318
Other expenses	204	1,362	2,001	3,567
Advertising		289		289
<b>TOTAL EXPENSES</b>	<b><u><u>\$ 614,536</u></u></b>	<b><u><u>\$ 235,583</u></u></b>	<b><u><u>\$ 10,981</u></u></b>	<b><u><u>\$ 861,100</u></u></b>

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

**Lone Star Justice Alliance**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (124,940)	\$ 373,033
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Non-cash donation of fixed assets		(15,465)
Non-cash of future building use		(34,761)
Depreciation expense	23,868	6,186
(Increase) decrease in operating assets		
Receivables	317,665	(353,541)
Prepaid expense	(15,866)	(4,500)
Security deposit		(4,500)
Increase (decrease) in operating liabilities		
Accounts payable	(39,887)	29,479
Due to related parties		(1,947)
Accrued expenses		(1,782)
Deferred revenue		(20)
Net cash flows from operating activities	160,840	(7,818)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(64,156)	
Net cash flows from investing activities	(64,156)	
<b>FINANCING ACTIVITIES</b>		
Proceeds from line of credit		112,000
Payments on line of credit	(12,000)	(100,000)
Net cash flows from financing activities	(12,000)	12,000
Net change in cash and cash equivalents	84,684	4,182
<b>Cash and cash equivalents:</b>		
Beginning of year	36,868	32,686
End of year	\$ 121,552	\$ 36,868
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 2,993	\$ 826
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES</b>		
Non-cash donation of fixed assets		\$ 15,645

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

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE A - NATURE OF OPERATIONS**

Lone Star Justice Alliance (LSJA) was established in 2017 as a non-profit organization that improves the lives of children and emerging adults in the justice system, most of whom are children of color who have found themselves in a pipeline that ignores their youth, dismisses their personal and socio-economic circumstances, and catapults them into adulthood in an unforgiving system. LSJA envisions a justice system that uses developmentally appropriate responses to behavior and treats children and emerging adults with equity and dignity to promote resilience, conserve costs, and increase public safety.

LSJA has three main program areas: (1) Transformative Justice — The Transformative Justice Model is the first-ever alternative to incarceration for emerging adults (ages 17-24) in Texas, which employs a cost-effective, research-based approach to lower recidivism and improve health. (2) Advocacy—LSJA provides legal services to enforce constitutional protections owed to children and emerging adults in the Texas justice system and for survivors of trafficking and domestic violence, whose crimes are directly tied to their own victimization. (3) Training and Technical Assistance — LSJA's experienced staff provide training and technical assistance to defenders and justice stakeholders on evidence-based practices that they may use to improve outcomes for children and emerging adults.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting* - The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Classification of Net Assets* - Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LSJA and changes therein are classified as follows:

Net assets without donor restriction - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restriction - Net assets subject to donor-imposed stipulations which expire when the stipulated purpose for which the resource was restricted has been fulfilled.

*Net Assets Released From Restrictions* - When a donor-imposed restriction is fulfilled or when a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as released from restrictions.

*Cash and Cash Equivalents* - Cash and cash equivalents include cash on hand.

*Contributions* - Contributions received are recorded as with or without donor restrictions depending on the existence or nature of donor stipulations.

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Grant Revenue* - LSJA has grant agreements and contracts with funding sources that are considered conditional promises to give and cost reimbursement contracts. Revenue on these types of grant agreements and contracts are reported when the conditions specified are met. Generally, the conditions to be met are compliance with specific grant terms and delivery of specific program services. Grant agreements and contracts that award funding without any conditions, and unconditional promises to give, are reported as revenue when the funding is awarded.

*Legal Services Revenue* - Legal services revenue represents fee for service arrangements. Revenues are reported as the services are rendered.

*In-Kind Contributions* - Contributed professional services are recognized as in-kind contributions if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the contributions. Contributions of tangible assets are capitalized at fair value when received.

*Grants Receivable* - LSJA considers grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required for grants receivable.

*Functional Accounting* - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. All expenses were allocated based on time and effort.

*Fixed Assets* - LSJA reports fixed assets at historical cost if purchased, or at fair value if donated, less accumulated depreciation. Fixed assets purchased in excess of \$5,000 are capitalized. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Provision for depreciation is recognized using primarily the straight-line method over the estimated useful lives of the depreciable assets. Upon the sale or other retirement of depreciable assets, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities. As of December 31, 2020, all fixed assets represented computers and software. Depreciation expense totaled \$23,868 and \$6,186 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, accumulated depreciation totaled \$14,589 and \$6,186, respectively.

*Federal Income Taxes* - LSJA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. In addition, LSJA has been designated not a private foundation for income tax purposes. Accordingly, no provision for income taxes is included in these financial statements.

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Federal Income Taxes - continued* - LSJA accounts for their uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2020 and 2019, LSJA has not recognized liabilities for uncertain tax positions or associated interest and penalties. The tax returns for the years ended December 31, 2017, and after are open to examination by federal and local authorities.

*Estimates and Assumptions* - The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

*Subsequent Events* - Management of LSJA has evaluated subsequent events for disclosure through the date of the independent auditors' report, the date the financial statements were available to be issued. See Note M.

**NOTE C - CONCENTRATIONS**

*Concentration of Credit Risk* - Financial instruments which potentially subject LSJA to credit risk principally consist of cash held in financial institutions. LSJA deposits its cash with high credit quality financial institutions. At December 31, 2020, there were no cash balances which were not Federal Deposit Insurance Corporation (FDIC) insured or bank guaranteed.

*Concentration of Donor Risk* - LSJA had certain organizations who contributions individually represented 10% or more of total contribution revenue. For the years ended December 31, 2020 and 2019, three organizations accounted for 62% and three organizations accounted for 46% of total revenue, respectively.

*Concentrations of Grants Receivables* - As of December 31, 2020 and 2019, two organizations accounted for 95% and three organizations accounted for 53% of total grants receivable, respectively.

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE D - CONTRIBUTIONS AND GRANTS RECEIVABLE**

Grants, contributions, and other receivables collectible in future periods as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expected to be collected in:		
Less than one year	\$ 99,922	\$ 417,587
One to five years		
Over five years		
Receivables, gross	<u>\$ 99,922</u>	<u>\$ 417,587</u>

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements		\$ 15,465
Computers	29,776	
Software	34,380	
Less accumulated depreciation	(14,589)	(6,186)
Property and equipment, net	<u>\$ 49,567</u>	<u>\$ 9,279</u>

**NOTE F - LINE OF CREDIT**

On September 11, 2019, LSJA established a \$150,000 revolving line of credit. The interest rate on the line of credit is the prime rate, which was 3.25% at December 31, 2020. The line of credit expires September 28, 2021. LSJA had an outstanding balance of \$0 and \$12,000 on the line of credit at December 31, 2020 and 2019, respectively. Interest expense for the years ended December 31, 2020 and 2019, was \$2,993 and \$826.

**NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2020 and 2019, net assets with donor restrictions for time or purpose consist of:

	<u>2020</u>	<u>2019</u>
Purpose - Advocacy	\$ 127,000	\$ 144,910
Purpose - Technical Assistance and Training		10,000
Purpose - Transformative Justice	28,856	94,522
Time restricted for 2020 operations	15,000	100,000
	<u>\$ 170,856</u>	<u>\$ 349,432</u>

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE G - NET ASSETS WITH DONOR RESTRICTIONS - continued**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. Net assets released from restriction during the year ended December 31, 2020 and 2019, consisted of:

	<u>2020</u>	<u>2019</u>
Purpose - Advocacy	\$ 147,909	\$ 70,090
Purpose - Payroll Covid relief	142,200	
Purpose - Technical Assistance and Training	10,000	
Purpose - Transformative Justice	734,106	474,951
Time restricted for 2020/2019 operations	100,000	6,250
	<u>\$ 1,134,215</u>	<u>\$ 551,291</u>

**NOTE H - DONATED BUILDING USE RECEIVABLE**

In 2019, LSJA received the donated use of a building. The original donation was recorded as government grants with donor restrictions on the statement of activities and will be released from restriction and donated building use receivables on a monthly basis as the building is occupied. The building lease began on July 1, 2019, and expired on September 30, 2020. The lease required LSJA to pay its share of operating costs which are recorded as occupancy costs on the statement of functional expenses.

**NOTE I - PAYCHECK PROTECTION PROGRAM**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. On April 20, 2020, LSJA entered into unsecured loan agreement in the amount of \$142,200 with a bank pursuant to the Paycheck Protection Program (PPP). LSJA has elected to account for the PPP loan as a conditional grant in accordance with FASB ASC Topic 958. As such, management believes they have spent the funds in accordance with the CARES Act and have recognized the proceeds as government grants on the statement of activities. See Note M.

**NOTE J - IN-KIND CONTRIBUTIONS**

LSJA received in-kind contributions during the year ended December 31, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Donated goods		\$ 6,298
Donated services	10,273	138,025
	<u>\$ 10,273</u>	<u>\$ 144,323</u>

**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE K - LEASES**

LSJA leases its office space under a long-term, non-cancelable operating lease agreement. The lease was signed in November 2019, began on January 1, 2020, and requires monthly rental payments until expiration on December 31, 2025. Following is a schedule by year of future minimum rental payments required under the operating lease agreement:

Year Ending December 31,	Amount
2021	\$ 54,000
2022	54,000
2023	54,000
2024	54,000
Thereafter	54,000
	\$ 270,000

Rental expenses totaled \$106,795 and \$20,425 for the years ended December 31, 2020 and 2019, respectively.

**NOTE L - AVAILABLE RESOURCES AND LIQUIDITY**

The table below presents financial assets available for general expenditures within one year at December 31, 2020:

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	\$ 121,552	\$ 36,868
Grants and other receivables	99,922	382,826
Total financial assets at year-end	221,474	419,694
Less amounts not available to be used within one year:		
Financial assets available to meet general expenditures over the next 12 months	\$ 221,474	\$ 419,694

In addition to financial assets available to meet general expenditures over the next 12 months, LSJA operates with a balanced budget and anticipates only incurring expenses if adequate funds are available to pay for them. LSJA regularly monitors liquidity required to meet its operating needs and other contractual commitments. LSJA considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.



**Lone Star Justice Alliance**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE M - SUBSEQUENT EVENT**

LSJA applied for a second PPP loan made available through the passing of the Cares Act and received \$146,600 in March 2021. LSJA expects the full amount of the loan to be forgiven.

The PPP loan that was received in 2020 was fully forgiven on June 23, 2021.