

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2016

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

*Oficina Legal del Pueblo Unido, Inc.* dba Texas Civil Rights Project

We have audited the accompanying financial statements of the *Oficina Legal del Pueblo Unido, Inc.* dba Texas Civil Rights Project (a nonprofit corporation), which comprise the statement of financial position as of December 31, 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 the *Oficina Legal del Pueblo Unido, Inc.* dba Texas Civil Rights Project as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

*Allman & Associates, Inc.*

Austin, Texas  
April 28, 2017

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 1,445,035
Accounts receivable	39,786
	<hr/>
Total Current Assets:	1,484,821
Investment in bingo partnership	13,501
Fixed assets, net	845,648
	<hr/>
Total Assets	\$ 2,343,970
	<hr/> <hr/>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 11,007
	<hr/>
Total Current Liabilities	11,007
	<hr/>
Net assets:	
Unrestricted	2,276,130
Temporarily restricted	56,833
	<hr/>
Total Net Assets	2,332,963
	<hr/>
Total Liabilities and Net Assets	\$ 2,343,970
	<hr/> <hr/>

The accompanying auditors' report and notes are an integral part of the financial statements.

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Grants	\$ 1,481,886	\$ 70,500	\$ -	\$ 1,552,386
Litigation fees	196,670	-	-	196,670
Contributions, including \$1,251,069 in contributed services	1,394,813	-	-	1,394,813
Special events	222,399	-	-	222,399
Other	75,040	-	-	75,040
	<u>3,370,808</u>	<u>70,500</u>	<u>-</u>	<u>3,441,308</u>
Satisfaction of temporary restrictions	<u>197,646</u>	<u>(197,646)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,568,454</u>	<u>(127,146)</u>	<u>-</u>	<u>3,441,308</u>
Expenses:				
Program expenses	3,141,799	-	-	3,141,799
Management and general	256,849	-	-	256,849
Fundraising	120,948	-	-	120,948
	<u>3,519,596</u>	<u>-</u>	<u>-</u>	<u>3,519,596</u>
Change in Net Assets	<u>48,858</u>	<u>(127,146)</u>	<u>-</u>	<u>(78,288)</u>
Net Assets:				
Beginning of year	<u>2,227,272</u>	<u>183,979</u>	<u>-</u>	<u>2,411,251</u>
End of year	<u>\$ 2,276,130</u>	<u>\$ 56,833</u>	<u>\$ -</u>	<u>\$ 2,332,963</u>

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*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
 DBA TEXAS CIVIL RIGHTS PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 1,461,313	\$ 206,303	\$ 51,576	\$ 1,719,192
Legal services	1,308,964	-	-	1,308,964
Occupancy and leases	34,211	3,499	1,166	38,876
Travel	49,989	-	-	49,989
Communications	23,291	1,870	513	25,674
Depreciation	28,759	4,060	1,015	33,834
Supplies	15,734	2,221	555	18,510
Repairs and maintenance	52,250	7,376	1,844	61,470
Fundraising	-	-	62,580	62,580
Professional fees	119,134	24,721	-	143,855
Meetings and training	10,714	1,513	378	12,605
Other	37,440	5,286	1,321	44,047
	<u>\$ 3,141,799</u>	<u>\$ 256,849</u>	<u>\$ 120,948</u>	<u>\$ 3,519,596</u>

The accompanying auditors' report and notes are an integral part of the financial statements.

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (78,288)
Depreciation	33,834
Change in investment in partnership	(9,977)
Changes in assets and liabilities:	
Grants receivable	159,554
Accounts receivable	17,876
Prepaid expenses	14,428
Accounts payable	(10,342)
Accrued liabilities	(25,353)
Net cash flows in operating activities	<u>101,732</u>
Increase in cash and cash equivalents	101,732
Beginning cash and cash equivalents	<u>1,343,303</u>
Ending cash and cash equivalents	<u><u>\$ 1,445,035</u></u>
Supplemental Data:	
Interest paid	<u><u>\$ -</u></u>
Income tax paid	<u><u>\$ -</u></u>

The accompanying auditors' report and notes are an integral part of the financial statements.

OFICINA LEGAL DEL PUEBLO UNIDO, INC.  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1 - ORGANIZATION**

*Oficina Legal Del Pueblo Unido, Inc.* dba Texas Civil Rights Project (TCRP) was created in February 1978 as a 501(c)(3) non-profit corporation organized under the Non-Profit Corporation Act of the State of Texas. TCRP's mission is to foster equality, secure justice, ensure diversity, and strengthen communities.

The Texas Civil Rights Project uses legal advocacy to empower Texas communities and create policy change. In its twenty-six year history, the Texas Civil Rights Project has brought thousands of strategic lawsuits to protect and expand voting rights, challenge the injustices in our broken criminal justice system, and advance racial and economic justice.

Today – with dozens of high-caliber attorneys and professionals in Austin, Dallas, El Paso, Houston and the Rio Grande Valley and an extensive network of pro bono counsel and community allies – TCRP is among the most influential civil rights organizations in the Lone Star State.

TCRP's support comes primarily from various grants from governments and foundations, litigation fees, and public contributions from individuals and various organizations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of TCRP is presented to assist in understanding TCRP's financial statements. The financial statements and notes are representations of the TCRP's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in conformity with GAAP. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when cash is disbursed.

**Financial Statement Presentation**

TCRP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



OFICINA LEGAL DEL PUEBLO UNIDO, INC.  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (continued)**

Unrestricted net assets

Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted investment income, less expenses incurred in operations and for fundraising and administrative functions.

Temporarily restricted net assets

Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources subject to donor-imposed stipulations that must be maintained permanently by the TCRP.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, TCRP considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Receivables**

Receivables are stated at amounts outstanding as of year-end. Receivables consist of accounts and grants receivable. Management considers all receivables to be fully collectible based upon historical collection rates, the nature of the accounts, and the age of the receivables.

**Fixed Assets**

Buildings, improvements, and equipment over \$1,000 are capitalized at cost, unless acquired by donation, in which case it is capitalized at estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets (3 to 7 years for equipment, 15 to 39 years for the building and improvements).

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OFICINA LEGAL DEL PUEBLO UNIDO, INC.  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Support and Revenues**

Unconditional grants and contributions received are recorded at fair value on the date of the award as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Government grants are recognized as revenue as services are performed as required by the contracts, which is when the related costs have been incurred. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of time restriction or when purpose restrictions have been met. When both restricted and unrestricted resources are available for use, it is TCRP's policy to use restricted resources first, then unrestricted resources as needed. There was no permanently restricted net asset activity during the year.

**Federal Income Taxes**

TCRP is exempt from Federal income taxes under IRS Code Section 501(c)(3). Accordingly, no provision for income taxes is included in the financial statements. At December 31, 2016, no interest or penalties have been or are required to be accrued.

TCRP has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. TCRP has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. TCRP believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on TCRP's financial position, changes in net assets or cash flows. Accordingly, TCRP has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016. TCRP is subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

**Investment in Bingo Partnership**

TCRP has a 14% ownership interest in a Bingo partnership in San Juan, Texas. The carrying value of this investment is reported on the equity basis of its partnership share.

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3 – FURNITURE AND EQUIPMENT**

Major classes of furniture and equipment consist of the following:

Buildings and improvements	\$ 850,964
Equipment and furniture	107,581
Land	122,123
Accumulated depreciation	<u>(235,020)</u>
Fixed assets, net	<u><u>\$ 845,648</u></u>

Depreciation expense for the year ending December 31, 2016 was \$33,834.

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2016 are for the following purposes:

Equal Justice Work	\$ 6,833
Solitary Confinement Litigation and Advocacy	<u>50,000</u>
Total	<u><u>\$ 56,833</u></u>

**NOTE 5 – RETIREMENT PLAN**

TCRP has a Simple IRA covering eligible employees. Under the plan, TCRP makes a non-elective contribution equal to 2% of each eligible participant's gross wages. During the year ended December 31, 2016, TCRP contributed \$24,301 to employees' accounts.

**NOTE 6 - CONCENTRATIONS**

At year-end, cash in excess of Federal Deposit Insurance Corporation coverage amounted to \$1,078,157. Grants from two donors totaled \$1,307,139 which represented 38% of TCRP's revenue for the year ended December 31, 2016.

**NOTE 7 – CONTRIBUTED SERVICES**

Contributed legal services of \$1,251,069 for the year ended December 31, 2016 included approximately 10,000 hours of donated legal services provided to clients.

OFICINA LEGAL DEL PUEBLO UNIDO, INC.  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

TCRP participates in federal and state financial assistance programs, and charitable bingo operations. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. If future program compliance audits result in disallowed costs, reimbursements would have to be made to the grantor(s). Amounts of such disallowed costs, if any, cannot be estimated at this time. However, TCRP believes such amounts, if any, would not be significant.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

Included in revenue is approximately \$44,444 in donations from Board members and/or their respective businesses.

**NOTE 10 – FAIR VALUE DISCLOSURES**

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 Inputs – Unobservable inputs for the asset or liability.

OFICINA LEGAL DEL PUEBLO UNIDO, INC.  
DBA TEXAS CIVIL RIGHTS PROJECT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 10 – FAIR VALUE DISCLOSURES (continued)**

The following table represents assets and liabilities measured at fair value on a recurring basis as reported on the statement of financial position as of December 31, 2016 and by level within the fair value measurement hierarchy:

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investment in bingo partnership	\$ 13,501	\$ -	\$ -	\$ 13,501
	<u>\$ 13,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,501</u>

**Change in Level 3 assets - Investment in bingo partnership:**

Beginning of year value	\$ 3,524
Current year change	<u>9,977</u>
End of year value	<u>\$ 13,501</u>

**NOTE 11 — SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. TCRP evaluated subsequent events as of June 28, 2017, the date the financial statements were available to be issued.

## OTHER FINANCIAL INFORMATION

# Allman & Associates, Inc.

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## INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

To the Board of Directors

*Oficina Legal del Pueblo Unido, Inc.* dba Texas Civil Rights Project

We have audited the financial statements of *Oficina Legal del Pueblo Unido, Inc.* dba Texas Civil Rights Project as of and for the year ended December 31, 2016, and have issued our report thereon dated April 28, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The following supplemental schedules: Supplemental Schedule of Grant Activities for Discretionary Demographic, Legal Aid to Veterans, and Low-Income Demographic, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Allman & Associates, Inc.*

Austin, Texas  
April 28, 2017

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

SUPPLEMENTAL SCHEDULE OF GRANT ACTIVITIES  
TEXAS ACCESS TO JUSTICE FOUNDATION  
INTEREST ON LAWYERS TRUST ACCOUNTS #10072254  
DISCRETIONARY DEMOGRAPHIC  
GRANT PERIOD SEPTEMBER 1, 2015 THRU AUGUST 31, 2017

	Jan. 1 thru Dec. 31, 2016			Over (Under) Budget
	24 Month Budget	12 Month Budget	12 Month Actual	
Support	\$ 1,675,202	\$ 837,601	\$ 823,323	\$ (14,278)
Expenses:				
Personnel:				
Attorney	340,142	170,071	275,873	105,802
Paralegals	336,226	168,113	159,118	(8,995)
Others	499,451	249,725	152,729	(96,996)
Employees benefits	216,205	108,103	98,901	(9,202)
Contractual services	283,178	141,589	136,702	(4,887)
Total expenses	1,675,202	837,601	823,323	(14,278)
Net Difference	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.



*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

SUPPLEMENTAL SCHEDULE OF GRANT ACTIVITIES  
TEXAS ACCESS TO JUSTICE FOUNDATION  
LEGAL AID TO VETERANS #10072258  
GRANT PERIOD SEPTEMBER 1, 2015 THRU AUGUST 31, 2017

	Jan. 1 thru Dec. 31, 2016			Over (Under) Budget
	24 Month Budget	12 Month Budget	12 Month Actual	
Support	\$ 260,800	\$ 130,400	\$ 138,950	\$ 8,550
Expenses:				
Personnel:				
Attorney	149,800	74,900	82,092	7,192
Paralegals	11,900	5,950	5,550	(400)
Others	6,800	3,400	2,687	(713)
Employees benefits	39,931	19,965	21,701	1,736
Non-personnel	52,369	26,185	26,920	735
Total expenses	260,800	130,400	138,950	8,550
Net Difference	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

*OFICINA LEGAL DEL PUEBLO UNIDO, INC.*  
DBA TEXAS CIVIL RIGHTS PROJECT

SUPPLEMENTAL SCHEDULE OF GRANT ACTIVITIES  
TEXAS ACCESS TO JUSTICE FOUNDATION  
INTEREST ON LAWYERS TRUST ACCOUNTS #10072255  
LOW-INCOME DEMOGRAPHIC  
GRANT PERIOD SEPTEMBER 1, 2015 THRU AUGUST 31, 2017

	Jan. 1 thru Dec. 31, 2016			Over (Under) Budget
	24 Month Budget	12 Month Budget	12 Month Actual	
Support	\$ 553,490	\$ 276,745	\$ 270,027	\$ (6,718)
Expenses:				
Personnel:				
Attorney	163,498	81,749	80,953	(796)
Paralegals	195,982	97,991	80,768	(17,223)
Others	145,111	72,555	70,107	(2,448)
Employees benefits	48,899	24,450	38,199	13,749
Total expenses	553,490	276,745	270,027	(6,718)
Net Difference	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.