

PUBLIC JUSTICE CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Public Justice Center, Inc.
Baltimore, MD

We have audited the accompanying statements of financial position of Public Justice Center, Inc. (a nonprofit organization) as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Justice Center, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplementary information presented on pages 12 – 14 is presented for the purposes of additional analysis and is not a required part of the basic 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 themselves, 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 to 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 basic financial statements taken as a whole.

Cardoni Waddell, LLC

Columbia, Maryland
September 20, 2012

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,041,616	\$ 1,232,215
Grants Receivable	5,354	4,871
Advances, Employee	-	1,092
Prepaid Expenses and Deposits	16,471	18,603
Property and Equipment, net of Accumulated Depreciation	37,581	46,297
Total Assets	\$ 2,101,022	\$ 1,303,078
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts Payable	\$ -	\$ 7,867
Accrued Expenses	53,369	84,921
Funds Held for Others	806	-
Capital Lease	27,016	31,937
Total Liabilities	81,191	124,725
Net Assets		
Unrestricted	1,312,593	616,339
Temporarily Restricted	707,238	562,014
Total Net Assets	2,019,831	1,178,353
Total Liabilities and Net Assets	\$ 2,101,022	\$ 1,303,078

See Independent Auditors' Report.

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Gains, and Support					
Contributions	\$ 273,643	\$ -	\$ -	\$ 273,643	\$ 203,742
Contributed Professional Services	4,951,688	-	-	4,951,688	4,752,196
Cy Pres	442,379	-	-	442,379	53,583
Private Grants	-	1,519,640	-	1,519,640	1,515,675
Attorney Fees	417,752	-	-	417,752	-
Special Events, net	-	-	-	-	37,500
Other Revenue	14,825	-	-	14,825	2,673
Net Assets Released From Donor Restrictions	1,374,416	(1,374,416)	-	-	-
 Total Revenues, Gains, and Support	 7,474,703	 145,224	 -	 7,619,927	 6,565,369
Operating Expenses					
Program Services	6,389,492	-	-	6,389,492	6,010,229
Management and General	155,987	-	-	155,987	158,755
Fund-Raising	232,970	-	-	232,970	235,108
 Total Operating Expenses	 6,778,449	 -	 -	 6,778,449	 6,404,092
 Change in Net Assets	 696,254	 145,224	 -	 841,478	 161,277
 Net Assets, Beginning	 616,339	 562,014	 -	 1,178,353	 1,017,076
 Net Assets, Ending	 <u>\$ 1,312,593</u>	 <u>\$ 707,238</u>	 <u>\$ -</u>	 <u>\$ 2,019,831</u>	 <u>\$ 1,178,353</u>

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in Net Assets	\$ 841,478	\$ 161,277
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	12,624	10,622
Changes in Assets and Liabilities		
Grants Receivable	(483)	60,157
Advances, Employee	1,092	(1,092)
Prepaid Expenses and Deposits	2,132	(3,557)
Accounts Payable	(7,867)	7,867
Accrued Expenses	(31,552)	10,636
Funds Held for Others	806	(1,025)
	818,230	244,885
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(3,908)	(12,659)
Cash Flows From Financing Activities		
Curtailment of Capital Lease	(4,921)	(2,087)
Net Increase in Cash and Cash Equivalents	809,401	230,139
Cash and Cash Equivalents, Beginning	1,232,215	1,002,076
Cash and Cash Equivalents, Ending	\$ 2,041,616	\$ 1,232,215
Supplemental Cash Flow Information:		
Non-Cash Financing of Capital Lease	\$ -	\$ 34,024
Interest Paid	\$ 6,191	\$ 4,395

See Independent Auditors' Report.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Public Justice Center, Inc. (the Organization) is a non-profit legal organization, founded in Maryland in 1985. We give legal voice to people who are being excluded from full participation and respect in society by poverty or discrimination. We pursue projects and cases that have progressive, long-lasting and widespread impacts, not just for an individual, but for entire classes of people who are subjected to injustice. Current focus areas include Homeless Children's Right to Education, Tenants' Rights, Prisoners' Rights, Health Rights, Right to Counsel and Appellate Advocacy. More information can be found at our website: www.publicjustice.org.

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting.

Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue code and comparable State law. Accordingly, no provision for income taxes has been made. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they are filed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Organization considers all unrestricted highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Contributions and Revenue

The Organization has adopted the accounting treatment prescribed by FASB ACS 605-10-15-3 (Formerly Statement of Financial Accounting Standards (SFAS) No. 116), Accounting for Contributions Received and Contributions Made, and FASB ACS 958-205-05 (Formerly SFAS No. 117), Financial Statements for Not-for-Profit Organizations. In accordance with FASB ACS 605-10-15-3, contributions received are recorded as unrestricted support depending on the existence and/or nature of grant restrictions. Amounts received by the Organization are treated as unrestricted funds unless restricted by the donor.

Basis of Presentation

The Organization's net assets and related revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the Organization.

**PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 are available from the following donors:

Jacob and Hilda Blaustein Foundation	\$	40,075
Barbara McDowell and Gerald Hartman Foundation		5,000
Medicaid Matters-Maryland - Open Society Institute		74,455
Medicaid Matters-Maryland, Fund		188
Maryland Public Interest Law Project		2,000
Francis D. Murnaghan, Jr. Appellate Advocacy Fellowship		15,530
Open Society Institute - Education		50,000
Open Society Institute - Just for Kids		47,725
Open Society Institute - Tenants in Foreclosure		203,680
Public Welfare Foundation		200,000
Public Welfare Foundation - Right to Counsel		50,000
Skadden Fellowship Foundation		16,596
Spanish Beyond Debate		1,989
		<u>1,989</u>
	<u>\$</u>	<u>707,238</u>

Grants Received

Support and revenue under grants with the respective agencies is recorded as government grants or private grants and donations in the appropriate program when the related direct costs are incurred. Grants receivable represent amounts due for expenditures incurred prior to year-end.

Advertising

Advertising cost are expensed as incurred. Advertising expense was \$1,286 and \$359 for the years ended June 30, 2012 and 2011, respectively.

Property and Equipment

All major expenditures for property and equipment are capitalized. Property and equipment are carried at cost and are depreciated over their estimated useful lives of 3 – 10 years using the straight-line method.

NOTE 2: PROPERTY AND EQUIPMENT

The major classifications of property and equipment as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Property and Equipment	\$ 114,799	\$ 110,890
Less: Accumulated Depreciation	<u>(77,218)</u>	<u>(64,593)</u>
	<u>\$ 37,581</u>	<u>\$ 46,297</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$12,624 and \$10,622, respectively.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Organization has a lease for its office space through the October 2015. The lease expires in the fiscal year 2016. Rent expense for the years ended June 30, 2012 and 2011 was \$89,718 and \$80,347 respectively.

Future minimum lease payments under its lease at June 30, 2012 are as follows:

Fiscal Year:	2013	\$	99,996
	2014		102,996
	2015		106,092
	2016		35,710
		\$	344,794

The Organization leases its copiers under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased asset included in property and equipment:

	2012	2011
Property and Equipment	\$ 34,024	\$ 34,024
Less: Accumulated Depreciation	(11,908)	(5,104)
	\$ 22,116	\$ 28,920

Future minimum lease payments under capital lease at June 30, 2012 are as follows:

Fiscal Year:	2013	\$	6,048
	2014		7,433
	2015		9,136
	2016		4,399
		\$	27,016

NOTE 4: RETIREMENT PLAN

The Organization has in place a 403(b) Tax Deferred Annuity Plan. An employee is eligible to become a participant in the Plan on date of hire. Elective deferrals may equal the lesser of IRS prescribed amounts or 100% of the participant's compensation specified by certain limitations and catch up allowances for specific employees. The Organization did not make a contribution to the plan during the fiscal years ending June 30, 2012 and 2011.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011

NOTE 5: DONATED MATERIALS AND SERVICES

The Organization receives a significant amount of donated time and services from attorneys, paralegals, and other professionals/volunteers. The approximate value of donated services included in the financial statements for the years ending June 30, 2012 and 2011 is as follows:

	2012	2011
Attorneys/Paralegals/Other	\$ 4,950,866	\$ 4,721,986
Other	822	30,210
	\$ 4,951,688	\$ 4,752,196
 Hours	 14,700	 11,218

NOTE 6: CONCENTRATION OF RISK

The Organization's cash balances in financial institutions at times, throughout the year, exceeded federally insured limits.

NOTE 7: AGENCY FUNDS (FUNDS HELD IN CUSTODY FOR OTHERS)

During the year ended June 30, 2012 and 2011, the Organization collected a total of \$10,800 and \$10,800, respectively on behalf of other Foundations, individuals, and organizations. As of June 30, 2012, \$806 of funds collected on behalf of others remained undisbursed. As of June 30, 2011, the Organization had disbursed all of the funds per the instructions of the Foundations and Grantors.

NOTE 8: SPECIAL EVENTS

During the fiscal year ending June 30, 2011, the Organization held a Special Event to celebrate its 25th Anniversary. The net proceeds were as follows:

	2011
Gross Proceeds	\$ 134,706
Less: Expenses	(97,206)
	\$ 37,500

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PUBLIC JUSTICE CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total 2012</u>	<u>Total 2011</u>
Advertising	\$ 46	\$ 6	\$ 1,234	\$ 1,286	\$ 359
Contributed Professional Services	4,950,866	822	-	4,951,688	4,752,196
Depreciation	9,945	1,074	1,605	12,624	10,622
Dues and Subscriptions	9,814	1,060	1,583	12,457	14,945
Employee Benefits and Payroll Taxes	206,233	22,278	33,273	261,784	231,331
Equipment Maintenance and Rental	14,104	1,524	2,276	17,904	21,631
Insurance	11,538	1,246	1,862	14,646	11,737
Interest Expense	4,877	527	787	6,191	4,395
Litigation Expenses	2,220	-	-	2,220	4,849
Miscellaneous	3,039	328	490	3,857	1,233
Occupancy	70,680	7,635	11,403	89,718	80,347
Office and Technology Supplies	6,498	702	1,048	8,248	7,450
Postage and Shipping	7,504	811	1,211	9,526	8,995
Printing and Publications	22,006	2,377	3,550	27,933	37,582
Professional Fees	93,874	10,140	15,145	119,159	127,663
Salaries	933,793	100,871	150,654	1,185,318	1,049,019
Staff Development	9,315	1,006	1,503	11,824	8,880
Telephone	9,279	1,002	1,497	11,778	10,401
Travel, Conferences, and Special Events	23,861	2,578	3,849	30,288	20,456
Total	<u>\$ 6,389,492</u>	<u>\$ 155,987</u>	<u>\$ 232,970</u>	<u>\$ 6,778,449</u>	<u>\$ 6,404,091</u>

**AUDITORS' SPECIAL REPORT FOR
MARYLAND LEGAL SERVICES CORPORATION**

To the Board of Directors
Public Justice Center, Inc.
Baltimore, MD

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Public Justice Center, Inc. for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012.

In the course of our audit, we examined the revenue and expenses for the Maryland Legal Services grant for the year July 1, 2011 through June 30, 2012, under the terms of the Grant Agreement between the Maryland Legal Services Corporation and Public Justice Center, Inc. executed on July 13, 2011.

We have examined management's assertion that Public Justice Center, Inc. was in compliance with terms and conditions of the Grant Agreement, and with Maryland Code, Human Services Article 11, Sections 11-503, 11-505, 11-602, and 11-603 (i.e. services not allowed: financial maintenance and reporting; affidavit of eligibility requirement; and client eligibility determination, respectively). We also verified the number of clients served as reported in the year-end report submitted by Public Justice Center, Inc. Our audit included examining, on a test basis, evidence of Public Justice Center, Inc.'s compliance as well as performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the expenditure of grant revenues in conformity with the Grant Agreement dated July 13, 2011. In addition, we are of the opinion that Public Justice Center, Inc. complied, in all material aspects, with the aforementioned requirements and accurately reported the number of clients served for the period July 1, 2011 through June 30, 2012.

Cardoni Waddell, LLC

Columbia, Maryland
September 20, 2012

**PUBLIC JUSTICE CENTER, INC.
SCHEDULE OF REVENUE AND EXPENSES - MARYLAND
LEGAL SERVICES COPORATION GRANT
FOR THE YEAR ENDED JUNE 30, 2012**

	Actual Receipts and Expenditures	Approved Budget
Grants Revenue Received	\$ 239,000	\$ 239,000
Expenses		
Payroll Costs		
Attorneys	108,600	108,600
Paralegal	40,000	40,000
Others	20,000	20,000
Employee Benefits	10,000	10,000
	178,600	178,600
Occupancy	30,400	30,400
Equipment Rental	3,000	3,000
Supplies	1,000	1,000
Printing and Copying	3,000	3,000
Postage	2,000	2,000
Telephone	3,000	3,000
Travel	2,000	2,000
Training and Continuing Education	3,000	3,000
Insurance	4,000	4,000
Library and Dues	3,000	3,000
Audit	4,000	4,000
Contract Services	2,000	2,000
Total Expenses	239,000	239,000
Excess of Expenses Over Revenue	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.
See Independent Auditors' Report