

PUBLIC JUSTICE CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2015 AND 2014

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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, 2015 and 2014 and the related statements of activities 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 controls 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 from 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 auditor's 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 Public Justice Center, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (continued)

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is 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 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 financial statements as a whole.

Cardoni Waddell, LLC

Columbia, Maryland
September 11, 2015

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,534,561	\$ 1,498,974
Grants Receivable	16,093	64,141
Prepaid Expenses and Deposits	12,678	14,138
Property and Equipment, net of Accumulated Depreciation	48,097	67,902
Total Assets	\$ 1,611,429	\$ 1,645,155
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accrued Expenses	\$ 35,924	\$ 32,520
Funds Held for Others	418	404
Capital Lease	4,399	13,535
Total Liabilities	40,741	46,459
Net Assets		
Unrestricted	1,247,446	1,267,259
Unrestricted Board Designated	-	62,212
Temporarily Restricted	323,242	269,225
Total Net Assets	1,570,688	1,598,696
Total Liabilities and Net Assets	\$ 1,611,429	\$ 1,645,155

See Independent Auditors' Report.

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Gains, and Support					
Contributions	\$ 336,610	\$ -	\$ -	\$ 336,610	\$ 247,544
Contributed Professional Services	496,707	-	-	496,707	685,534
Cy Pres	-	-	-	-	65,541
Private Grants	-	1,301,992	-	1,301,992	1,151,672
Attorney Fees	81,797	-	-	81,797	112,120
Special Events, net	(829)	-	-	(829)	-
Other Revenue	1,173	-	-	1,173	1,805
Loss on Disposal of Fixed Assets	(924)	-	-	(924)	-
Net Assets Released From Donor Restrictions	1,247,975	(1,247,975)	-	-	-
Total Revenues, Gains, and Support	2,162,509	54,017	-	2,216,526	2,264,216
Operating Expenses					
Program Services	1,819,838	-	-	1,819,838	1,977,854
Management and General	138,895	-	-	138,895	155,243
Fund-Raising	285,801	-	-	285,801	299,693
Total Operating Expenses	2,244,534	-	-	2,244,534	2,432,790
Change in Net Assets	(82,025)	54,017	-	(28,008)	(168,574)
Net Assets, Beginning	1,329,471	269,225	-	1,598,696	1,767,270
Net Assets, Ending	\$ 1,247,446	\$ 323,242	\$ -	\$ 1,570,688	\$ 1,598,696

See Independent Auditors' Report.

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in Net Assets	\$ (28,008)	\$ (168,574)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	24,789	11,245
Loss on Disposal of Fixed Assets	924	-
Changes in Assets and Liabilities		
Grants Receivable	48,048	77,954
Prepaid Expenses and Deposits	1,460	(368)
Accrued Expenses	3,404	2,828
Funds Held for Others	14	(242)
	<u>50,631</u>	<u>(77,157)</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(5,908)	(52,325)
Cash Flows From Financing Activities		
Curtailment of Capital Lease	(9,136)	(7,433)
	<u>35,587</u>	<u>(136,915)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
	<u>1,498,974</u>	<u>1,635,889</u>
Cash and Cash Equivalents, Beginning		
	<u>\$ 1,534,561</u>	<u>\$ 1,498,974</u>
Cash and Cash Equivalents, Ending		
	<u>\$ 1,534,561</u>	<u>\$ 1,498,974</u>
Supplemental Cash Flow Information:		
Interest Paid	\$ 1,976	\$ 3,679

See Independent Auditors' Report.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

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, Workers' Rights, Health Rights, Right to Counsel and Appellate Advocacy. More information can be found at our website: www.publicjustice.org.

Basis 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 follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which includes maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold. The Organization's income tax returns are subject to possible federal examination, general for three years after they are filed.

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 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 Accounting for Contributions Received and Contributions Made, and FASB ACS 958-205-05 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.

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.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$230 and \$80 for the years ended June 30, 2015 and 2014, 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.

Financial Statement 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. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. The Organization has variance power, that is, the ultimate discretion over the use of these funds lies with the Board of Directors.

Unrestricted Board Designated Net Assets – Certain funds, while unrestricted, have been designated by the Organization for a particular purpose or program. The Board of Directors has ultimate discretion over these funds but has designated them for the purpose of encouraging and funding litigation cases and projects by the Organization's staff and co-counsel.

Temporarily Restricted Net Assets – New assets that are subject to donor-imposed restrictions. Such restrictions expire either by the passage of time or by actions of the Organization. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – New assets that are subject to donor-imposed restrictions. Such restrictions require the historical dollar amount of gifts to be permanently retained. The Organization has no permanently restricted funds at June 30, 2015 or 2014.

Evaluation of Subsequent Events

Management has evaluated subsequent events through September 11, 2015, the day the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

The major classifications of property and equipment as of June 30, 2015 and 2014 are as follows:

	2015	2014
Property and Equipment	\$ 124,122	\$ 120,589
Less: Accumulated Depreciation	(76,025)	(52,687)
	\$ 48,097	\$ 67,902

Depreciation expense for the years ended June 30, 2015 and 2014 was \$24,789 and \$11,245, respectively.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are funds received from donors which have been specified for use with program initiatives established by the organization.

Temporarily restricted net assets as of June 30, 2015 are summarized as follows:

Abell Foundation - Rent Court Reform	\$ 58,280
Abell Foundation - Workplace Justice Project Advance	25,000
Jacob and Hilda Blaustein Foundation	4,717
Consumer Health Foundation	30,000
Fund for Change	35,000
Zanvyl and Isabelle Krieger Fund	15,000
Maryland Public Interest Law Project	10,000
Public Welfare Foundation	2,000
Public Welfare Foundation - Right to Counsel	75,000
Rikki Fleisher Fund	50,000
	18,245
	\$ 323,242

NOTE 4: COMMITMENTS AND CONTINGENCIES

The Organization has a lease for its office space through the April 2021 which will expire in the fiscal year 2021. The lease contains two renewal options for up to five years each. In addition, the Organization also leases additional storage space under a separate lease agreement expiring at the same time as the office space lease. Rent expense for the years ended June 30, 2015 and 2014 was \$91,363 and \$105,287 respectively.

In March 2015, the Organization entered into a non-cancelable operating agreement for the use of a photocopier that will expire in February 2020.

Future minimum lease payments under its lease at June 30, 2015 are as follows:

Fiscal Year:	2016	\$ 101,539
	2017	104,183
	2018	106,827
	2019	109,471
	2020	117,350
	Thereafter	93,535
		\$ 632,905

The Organization leases a copier 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.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 4: COMMITMENTS AND CONTINGENCIES (continued)

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

	2015	2014
Property and Equipment	\$ 34,024	\$ 34,024
Less: Accumulated Depreciation	(32,323)	(25,518)
	\$ 1,701	\$ 8,506

Future minimum lease payments under capital lease at June 30, 2015 are as follows:

Fiscal Year:	2016	\$ 4,399
		\$ 4,399

NOTE 5: 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, 2015 and 2014.

NOTE 6: AGENCY FUNDS (FUNDS HELD IN CUSTODY FOR OTHERS)

During the years ended June 30, 2015 and 2014, the Organization collected a total of \$11,920 and \$13,996, respectively on behalf of other Foundations, individuals, and organizations. Funds collected on behalf of others that remained undisbursed were \$418 and \$404 as of June 30, 2015 and 2014, respectively.

NOTE 7: 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, 2015 and 2014 is as follows:

	2015	2014
Attorneys/Paralegals/Other	\$ 487,690	\$ 685,519
Other	9,017	15
	\$ 496,707	\$ 685,534
 Hours	 3,762	 2,197

The difference between contributed services for the years ending June 30, 2015 and 2014 was due to much lower rates of the volunteers who worked on the cases.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 8: CONCENTRATION OF RISK

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

SUPPLEMENTARY INFORMATION

PUBLIC JUSTICE CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	Program Services	Management and General	Fund-Raising	Total 2015	Total 2014
Advertising	\$ -	\$ 230	\$ -	\$ 230	\$ 80
Benefit Dinner	-	-	-	-	1,027
Contributed Professional Services	402,134	30,895	63,678	496,707	685,534
Depreciation	20,069	1,542	3,178	24,789	11,245
Dues and Subscriptions	14,748	1,133	2,335	18,216	18,034
Employee Benefits and Payroll Taxes	135,741	10,429	21,495	167,665	173,473
Equipment Maintenance and Rental	12,911	992	2,044	15,947	4,357
Insurance	10,320	793	1,634	12,747	12,847
Interest Expense	1,600	123	253	1,976	3,679
Litigation Expenses	14,968	-	-	14,968	3,496
Miscellaneous	2,441	188	387	3,016	2,800
Occupancy	73,967	5,683	11,713	91,363	105,287
Office and Technology Supplies	3,757	289	595	4,641	6,883
Postage and Shipping	7,584	583	1,201	9,368	6,889
Printing and Publications	14,233	1,093	2,254	17,580	33,704
Professional Fees	120,388	9,249	19,063	148,700	120,592
Salaries	948,439	72,867	150,185	1,171,491	1,198,088
Staff Development	11,356	871	1,798	14,025	10,259
Telephone	7,987	614	1,265	9,866	12,985
Travel, Conferences, and Special Events	17,195	1,321	2,723	21,239	21,531
Total	\$ 1,819,838	\$ 138,895	\$ 285,801	\$ 2,244,534	\$ 2,432,790

See Independent Auditors' Report.

**INDEPENDENT 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, 2015, and have issued our report thereon dated September 11, 2015.

In the course of our audit, we examined the revenue and expenses for the Maryland Legal Services grant for the year July 1, 2014 through June 30, 2015, under the terms of the Grant Agreement between the Maryland Legal Services Corporation and Public Justice Center, Inc. executed on June 15, 2014.

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 June 15, 2014. 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, 2014 through June 30, 2015.

Candori Waddell, LLC

Columbia, Maryland
September 11, 2015

PUBLIC JUSTICE CENTER, INC.
SCHEDULE OF REVENUE AND EXPENSES - MARYLAND
LEGAL SERVICES COPORATION GRANT
FOR THE YEAR ENDED JUNE 30, 2015

	Actual Receipts and Expenditures	Approved Budget
Grants Revenue Received	\$ 231,591	\$ 231,591
Expenses		
Payroll Costs		
Attorneys	108,600	108,600
Paralegal	40,000	40,000
Others	20,000	20,000
Employee Benefits	13,091	13,091
	181,691	181,691
Occupancy	30,400	30,400
Equipment Rental	1,000	1,000
Supplies	1,000	1,000
Printing and Copying	1,000	1,000
Postage	1,000	1,000
Telephone	1,000	1,000
Travel	1,000	1,000
Training and Continuing Education	1,000	1,000
Insurance	3,000	3,000
Library and Dues	1,500	1,500
Audit	4,000	4,000
Contract Services	4,000	4,000
Total Expenses	231,591	231,591
Excess of Expenses Over Revenue	\$ -	\$ -

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