

Administer Justice
Audited Financial Statements
For the Years Ended December 31, 2015 and 2014

Administer Justice

Table of Contents

Independent Auditor’s Report1-2

Financial Statements

Statements of Financial Position.....3

Statements of Activities and Changes in Net Assets4

Statements of Cash Flows.....5

Statements of Functional Expenses6

Notes to Financial Statements.....7-11

Independent Auditor's Report

To the Board of Directors of
Administer Justice, Inc.
Elgin, Illinois

We have audited the accompanying financial statements of Administer Justice (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of 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.

Auditor's 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 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Administer Justice as of December 31, 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.

Tigh, Hrusch & O'P.C.

Elgin, Illinois
March 8, 2016

**Administer Justice
Statements of Financial Position
December 31, 2015 and 2014**

Assets	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current Assets:		
Cash and cash equivalents	\$ 44,945	\$ 90,162
Pledges receivable, current portion (net of allowance for uncollectible pledges of \$1,900 and \$4,500, respectively)	11,345	26,444
Grants receivable	-	3,750
Prepaid expenses	5,465	4,638
Deposits	<u>1,868</u>	<u>2,968</u>
Total current assets	<u>63,623</u>	<u>127,962</u>
Noncurrent Assets:		
Pledges receivable, long-term portion, (less discount of \$1,948 and \$2,242, respectively)	7,851	7,557
Property and Equipment, at cost:		
Furniture and equipment	20,981	19,409
Less accumulated depreciation	<u>(16,086)</u>	<u>(14,435)</u>
Net property and equipment	<u>4,895</u>	<u>4,974</u>
Total Assets	\$ <u>76,369</u>	\$ <u>140,493</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ -	\$ 439
Credit card payable	<u>2,041</u>	<u>3,813</u>
Total current liabilities	<u>2,041</u>	<u>4,252</u>
Net Assets:		
Unrestricted	51,283	91,748
Temporarily restricted	23,045	44,493
Permanently restricted	-	-
Total net assets	<u>74,328</u>	<u>136,241</u>
Total Liabilities and Net Assets	\$ <u>76,369</u>	\$ <u>140,493</u>

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

Administer Justice
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	-----December 31, 2015-----			-----December 31, 2014-----		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:						
Low Income Taxpayer Clinic (LITC)	\$ 87,000	\$ -	\$ 87,000	\$ 100,000	\$ -	\$ 100,000
Contributions	261,053	12,775	273,828	260,567	31,569	292,136
Fundraisers	113,539	-	113,539	85,536	-	85,536
Grants-foundations	43,975	-	43,975	52,487	-	52,487
Program fees	11,544	-	11,544	12,268	-	12,268
Honorariums	300	-	300	175	-	175
In-kind donated services	1,403,881	-	1,403,881	1,588,300	-	1,588,300
Interest	22	-	22	35	-	35
Total revenue and other income	<u>1,921,314</u>	<u>12,775</u>	<u>1,934,089</u>	<u>2,099,368</u>	<u>31,569</u>	<u>2,130,937</u>
Net Assets Released From Restrictions -						
Satisfaction of Program Restrictions	<u>34,223</u>	<u>(34,223)</u>	<u>-</u>	<u>21,229</u>	<u>(21,229)</u>	<u>-</u>
Expenses:						
Program services	1,893,945	-	1,893,945	2,071,383	-	2,071,383
Supporting services	38,201	-	38,201	38,046	-	38,046
Fundraising services	<u>63,856</u>	<u>-</u>	<u>63,856</u>	<u>44,982</u>	<u>-</u>	<u>44,982</u>
Total Expenses	<u>1,996,002</u>	<u>-</u>	<u>1,996,002</u>	<u>2,154,411</u>	<u>-</u>	<u>2,154,411</u>
Change in Net Assets	<u>(40,465)</u>	<u>(21,448)</u>	<u>(61,913)</u>	<u>(33,814)</u>	<u>10,340</u>	<u>(23,474)</u>
Net Assets, Beginning of Year	91,748	44,493	136,241	125,562	34,153	159,715
Net Assets, End of Year	<u>\$ 51,283</u>	<u>\$ 23,045</u>	<u>\$ 74,328</u>	<u>\$ 91,748</u>	<u>\$ 44,493</u>	<u>\$ 136,241</u>

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

Administer Justice
Statements of Cash Flows
For the Years Ending December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (61,913)	\$ (23,474)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,651	2,595
Changes in present value discount and allowance on pledge	(2,894)	(3,531)
Cash provided (used) by assets and liabilities:		
Pledges receivable	17,699	5,849
Grants receivable	3,750	-
Prepaid expenses	(827)	-
Deposits	1,100	-
Accounts payable	(439)	(251)
Credit card payable	(1,772)	1,841
Net cash provided (used) by operating activities	<u>(43,645)</u>	<u>(16,971)</u>
Cash Flow from Investing Activities		
Purchase of equipment	<u>(1,572)</u>	<u>(2,459)</u>
Net cash provided (used) by investing activities	<u>(1,572)</u>	<u>(2,459)</u>
Cash Flow from Financing Activities		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash	(45,217)	(19,430)
Cash and cash equivalents, beginning of year	90,162	109,592
Cash and cash equivalents, end of year	<u>\$ 44,945</u>	<u>\$ 90,162</u>

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

Administer Justice
Statements of Functional Expenses
For the Years Ending December 31, 2015 and 2014

	December 31, 2015				December 31, 2014			
	Program Services	Supporting Services	Fundraising Services	Total Expenses	Program Services	Supporting Services	Fundraising Services	Total Expenses
Expenses:								
Bad debt expense	\$ 8,985	\$ -	\$ -	\$ 8,985	\$ 8,054	\$ -	\$ -	\$ 8,054
Bank charges	-	2,737	-	2,737	-	3,266	-	3,266
Computer, web and software	7,431	-	-	7,431	6,702	-	-	6,702
Continuing education	68	-	-	68	67	-	-	67
Contributions and gifts	430	-	-	430	1,874	-	-	1,874
Conventions and seminars	6,165	238	-	6,403	4,259	137	-	4,396
Depreciation	1,651	-	-	1,651	2,595	-	-	2,595
Dues and subscriptions	2,164	-	-	2,164	1,283	-	-	1,283
Education program	694	-	-	694	1,155	-	-	1,155
Fundraising	-	-	63,452	63,452	-	-	44,551	44,551
In-kind donated services	1,403,881	-	-	1,403,881	1,588,300	-	-	1,588,300
Insurance	5,283	528	404	6,215	5,641	564	431	6,636
Licenses and permits	2,350	-	-	2,350	1,201	-	-	1,201
Office expense	10,668	-	-	10,668	12,190	-	-	12,190
Payroll	345,361	25,995	-	371,356	342,647	25,791	-	368,438
Payroll taxes	26,413	1,988	-	28,401	26,215	1,973	-	28,188
Postage and delivery	4,208	-	-	4,208	4,474	-	-	4,474
Professional fees	-	6,715	-	6,715	-	6,315	-	6,315
Program expense	3,795	-	-	3,795	3,038	-	-	3,038
Reimbursements	1,041	-	-	1,041	753	-	-	753
Rent/utilities	51,422	-	-	51,422	49,401	-	-	49,401
Telephone	7,301	-	-	7,301	8,069	-	-	8,069
Travel and conference	4,634	-	-	4,634	3,465	-	-	3,465
Total Expenses	\$ 1,893,945	\$ 38,201	\$ 63,856	\$ 1,996,002	\$ 2,071,383	\$ 38,046	\$ 44,982	\$ 2,154,411

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

Administer Justice, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Significant Accounting Policies

Nature of Activities:

Administer Justice is an Illinois not-for-profit organization whose purpose is to provide services to the underprivileged in legal, conflict resolution, and financial education. Administer Justice is supported primarily by contributions and grants from governmental, corporate, and private sources. The organization relies heavily on the donated services provided by attorneys.

Method of Accounting:

The financial statements of Administer Justice have been prepared on the accrual basis of accounting and in accordance with United States Generally Accepted Accounting Principles applicable to non-profit organizations. Revenues are recognized as they are earned and expenses as they are incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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, gains, and expenses during the reported period. Actual results could differ from these estimates.

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210. Under FASB ASC 958-210, Administer Justice 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.

Temporarily restricted net assets represent net assets subject to donor imposed restrictions which will either be met by the organization's actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired. These reclassifications are reported in the statement of activities as net assets released from restrictions. At December 31, 2015 and 2014 Administer Justice, Inc. had temporarily restricted net assets balance of \$23,045 and \$44,493, respectively.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that the assets be maintained permanently by Administer Justice. Generally, the donors of these assets permit Administer Justice to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2015 and 2014, Administer Justice did not have any permanently restricted net assets.

Administer Justice, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Significant Accounting Policies (continued)

Contributions:

Administer Justice, Inc. accounts for contributions in accordance with the recommendations in FASB ASC 958-225. In accordance with FASB ASC 958-225, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support and revenue, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unrestricted contributions are recognized when received or when promised.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support, if any, is reported as an increase in temporarily or permanently restricted net assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents:

Administer Justice, Inc., for the purposes of reporting cash flows, defines cash and cash equivalents as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Property and Equipment:

Fixed assets are recorded at cost if purchased or at their estimated fair market value at the time received if donated. Expenditures for repairs and maintenance are charged to expenses as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Administer Justice follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The useful lives of furniture and equipment are 5 to 7 years. There was depreciation expense of \$1,651 and \$2,595 for the years ended December 31, 2015 and 2014, respectively.

	Cost		Cost	Accumulated
	December 31,	Acquisitions/	December 31,	Depreciation
	2014	(Deletions)	2015	December 31,
	<u>2014</u>	<u>(Deletions)</u>	<u>2015</u>	<u>2015</u>
Furniture				
and equipment	\$ 19,409	\$ 1,572	\$ 20,981	\$ (16,086)

Administer Justice, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Significant Accounting Policies (continued)

Concentrations of Credit Risk:

Administer Justice maintains its principal cash accounts at a local commercial bank. All accounts are at institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 and 2014, the Organization had no accounts in excess of FDIC insured limits.

Functional Allocation of Expenses:

The costs of providing Administer Justice's various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs, fundraising activities, and supporting services benefited.

Pledges Receivables:

Pledges are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization carries its pledges receivable at the outstanding principal balance adjusted for any allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Organization's historical bad debt experience, the aging of the receivables and based on management's judgment. Pledges deemed uncollectible are charged to the allowance for doubtful pledges. Allowance for doubtful pledges balance for the year ended December 31, 2015 and 2014 was \$1,900 and \$4,500, respectively.

Income Tax Status:

Administer Justice, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

The organization adopted the implementation of FASB ASC 740. Under FASB ASC 740, management must evaluate the positions it has taken on tax returns. Management has determined that there are no tax provisions that would result in a more likely than not (50% chance) of being sustained under a potential audit or examination.

Administer Justice's Federal Exempt Organization Income Tax Returns (Form 990) for 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years they were filed.

Administer Justice, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 – In-Kind Donated Services

The Organization receives donated services from unpaid volunteers. An estimated value for the professional services of the attorney, paralegal, interpreters, bookkeepers, and board volunteers has been recognized in the Statement of Activities, having met the criteria for recognition. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

Donated services are recognized as contributions in accordance with FASB ASC 958-225 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. These contributions have been presented in the financial statements as support with a like amount shown as expense. During the fiscal year ended December 31, 2015 and 2014 donated services amounted to approximately \$1,403,881 and \$1,588,300, respectively.

Note 3 – Pledges Receivable

Pledges receivable with due dates extending beyond one year are discounted at a 3.00% annual rate of interest to net present value. During the years ended December 31, 2015 and 2014, contributions were reduced for the discount reserve of \$1,948 and \$2,242, respectively. Pledges activity for the years ended December 31, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Pledges receivable before unamortized discount	\$ 19,294	\$ 40,743
Less: Allowance for uncollectible amounts	(1,900)	(4,500)
Less: Unamortized discount (3.00%)	<u>(1,948)</u>	<u>(2,242)</u>
Net pledges receivable	<u>\$ 15,446</u>	<u>\$ 34,001</u>
Amounts due in:		
Less than one year	\$ 10,044	\$ 31,143
One to five years	4,800	4,800
Over five years	<u>4,450</u>	<u>4,800</u>
Total	<u>\$ 19,294</u>	<u>\$ 40,743</u>

Note 4 – Restrictions on Net Assets

During the years ended December 31, 2015 and 2014, Administer Justice received use and time restricted donations. At year end, Administer Justice had not expended all of the funds for the use restrictions. Administer Justice intends to expend the remaining funds during the December 31, 2016 year. The time restrictions will be released in the next fiscal year. The total temporarily restricted funds at December 31, 2015 and 2014 were \$23,045 and \$44,493, respectively.

Administer Justice, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Leasing Arrangements

Facilities: Administer Justice leases its office space under a two year lease that will expire in August 2017. Payments of \$2,626 are made on a monthly basis.

Equipment: Administer Justice leases office equipment under operating leases with an expiring date in December 2019. Monthly payments of \$204 are made for the lease of the copier.

Minimum future lease payments under the operating leases as of December 31, 2015 are:

	<u>Facilities</u>		<u>Equipment</u>
2016	\$ 31,512	\$	2,450
2017	21,008		2,450
2018	-		2,450
2019	-		2,450
2020	-		-
Thereafter	-		-
Total	<u>\$ 52,520</u>	\$	<u>9,800</u>

Note 6 – Related Party Transactions

Administer Justice and a related nonprofit organization, Gospel Justice Initiative (GJI), share the use of personnel, expertise, and office space in support of the ministry of the Organization. During the years ended December 31, 2015 and 2014, GJI paid Administer Justice a total of \$2,400 and \$1,800, respectively, for administrative services. Also during the years ended December 31, 2015 and 2014, Administer Justice paid GJI a total of \$400 and \$0, respectively, for software.

Note 7 – Date of Management’s Review

Subsequent events have been evaluated through the date of this report. It was concluded that there are no subsequent events required to be disclosed.