

PUBLIC JUSTICE CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2011 AND 2010

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To the Board of Directors
Public Justice Center, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Public Justice Center, Inc. (a nonprofit organization) as of June 30, 2011 and 2010 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, 2011 and 2010, 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.

Cardoni Waddell, LLC
Columbia, Maryland
September 30, 2011

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 and 2010

	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,232,215	\$ 1,002,076
Grants Receivable	4,871	65,028
Advances, Employee	1,092	-
Prepaid Expenses and Deposits	18,603	15,046
Property and Equipment, net of Accumulated Depreciation	46,297	10,236
Total Assets	\$ 1,303,078	\$ 1,092,386
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts Payable	\$ 7,867	\$ -
Accrued Expenses	84,921	74,285
Funds Held for Others	-	1,025
Capital Lease	31,937	-
Total Liabilities	124,725	75,310
Net Assets		
Unrestricted	616,339	485,456
Temporarily Restricted	562,014	531,620
Total Net Assets	1,178,353	1,017,076
Total Liabilities and Net Assets	\$ 1,303,078	\$ 1,092,386

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

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Gains, and Support					
Contributions	\$ 203,742	\$ -	\$ -	\$ 203,742	\$ 320,116
Contributed Professional Services	4,752,196	-	-	4,752,196	3,960,441
Cy Pres	53,583	-	-	53,583	12,262
Private Grants	-	1,515,675	-	1,515,675	1,386,892
Attorney Fees	-	-	-	-	1,051
Special Events, net	37,500	-	-	37,500	-
Other Revenue	2,673	-	-	2,673	3,643
Net Assets Released From Donor Restrictions	1,485,281	(1,485,281)	-	-	-
Total Revenues, Gains, and Support	6,534,975	30,394	-	6,565,369	5,684,405
Operating Expenses					
Program Services	6,010,229	-	-	6,010,229	5,043,433
Management and General	158,755	-	-	158,755	72,900
Fund-Raising	235,108	-	-	235,108	213,870
Total Operating Expenses	6,404,092	-	-	6,404,092	5,330,203
Change in Net Assets	130,883	30,394	-	161,277	354,202
Net Assets, Beginning	485,456	531,620	-	1,017,076	662,874
Net Assets, Ending	\$ 616,339	\$ 562,014	\$ -	\$ 1,178,353	\$ 1,017,076

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

PUBLIC JUSTICE CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in Net Assets	\$ 161,277	\$ 354,202
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	10,622	5,746
Changes in Assets and Liabilities		
Grants Receivable	60,157	(48,764)
Advances, Employee	(1,092)	454
Prepaid Expenses and Deposits	(3,557)	(195)
Accounts Payable	7,867	-
Accrued Expenses	10,636	7,207
Funds Held for Others	(1,025)	(33,760)
	244,885	284,890
Net Cash Provided by (Used in) Operating Activities		
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(12,659)	-
Cash Flows From Financing Activities		
Curtailments of Capital Lease	(2,087)	-
	230,139	284,890
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning	1,002,076	717,186
Cash and Cash Equivalents, Ending	\$ 1,232,215	\$ 1,002,076
Supplemental Cash Flow Information:		
Non-Cash Financing of Capital Lease	\$ 34,024	\$ -
Interest Paid	\$ 4,395	\$ -

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

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

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.

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, 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 (Formally Statement of Financial Accounting Standards (SFAS) No. 116), Accounting for Contributions Received and Contributions Made, and FASB ACS 958-205-05 (Formally 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, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 are available from the following donors:

American Bar Association	\$ 35,832
Baltimore Community Foundation	44,286
Francis D. Murnaghan, Jr. Appellate Advocacy Fellowship	13,333
Jacob and Hilda Blaustein Foundation	25,000
Matinzahm Fund	101,466
Medicaid Matters-Maryland, Fund	1,331
Medicaid Matters-Maryland, Jacob & Hilda Blaustein Foundation	3,123
Medicaid Matters-Maryland, Public Justice Center	500
Medicaid Matters-Maryland, Various Individual Donors	145
Open Society Institute	182,100
Public Welfare Foundation	125,113
Skadden Fellowship Foundation	17,296
Spanish Film, DLA Piper LLC	608
Spanish Film, GlobalGiving Foundation	631
Spanish Film, Marianist Sharing Fund	3,000
Spanish Film, Philip and Beryl Sachs Family Foundation	7,500
Spanish Film, Various Individual Donors	750
	<hr/>
	\$ 562,014
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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, which are principally included in operating expenses, are expensed as incurred. Advertising expense was \$359 and \$1,840 for the years ended June 30, 2011 and 2010, 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.

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

NOTE 2: PROPERTY AND EQUIPMENT

The major classifications of property and equipment as of June 30, 2011 and 2010 are as follows:

	2011	2010
Property and Equipment	\$ 110,890	\$ 64,207
Less: Accumulated Depreciation	(64,593)	(53,971)
	\$ 46,297	\$ 10,236

Depreciation expense for the year ended June 30, 2011 and 2010 was \$10,622 and \$5,746, respectively.

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Organization has a lease for its office space through the year 2015. The lease expires in the year 2015. Rent expense for the year ended June 30, 2011 and 2010 was \$80,347 and \$79,625 respectively.

Future minimum lease payments under its lease at June 30, 2011 are as follows:

Fiscal Year:	2012	\$	94,996
	2013		99,996
	2014		102,996
	2015		106,092
	2016		35,710
		\$	439,790

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:

	2011	2010
Property and Equipment	\$ 34,024	\$ -
Less: Accumulated Depreciation	(5,104)	-
	\$ 28,920	\$ -

Future minimum lease payments under capital lease at June 30, 2011 are as follows:

Fiscal Year:	2012	\$	4,921
	2013		6,048
	2014		7,433
	2015		9,136
	2016		4,399
		\$	31,937

PUBLIC JUSTICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

NOTE 4: PROFIT SHARING

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 year.

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, 2011 and 2010 is as follows:

	2011	2010
Attorneys/Paralegals/Other	\$ 4,721,986	\$ 3,958,041
Other	30,210	2,400
	4,752,196	3,960,441
Hours	11,218	9,358

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, 2011 and 2010, the Organization collected a total of \$10,800 and \$7,337, respectively on behalf of other Foundations, individuals, and organizations. 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

The Organization held a Special Event to celebrate its 25th Anniversary in May 2011. As of June 30, 2011 the net proceeds were as follows:

	2011	2010
Gross Proceeds	\$ 134,706	\$ -
Less: Expenses	(97,206)	-
	\$ 37,500	\$ -

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2011, 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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total 2011</u>	<u>Total 2010</u>
Advertising	\$ 293	\$ 24	\$ 42	\$ 359	\$ 1,840
Benefit Dinner	-	-	-	-	296
Contributed Professional Services	4,721,986	30,210	-	4,752,196	3,960,441
Depreciation	9,877	213	532	10,622	5,746
Dues and Subscriptions	13,485	112	1,348	14,945	13,482
Employee Benefits and Payroll Taxes	179,419	19,809	32,103	231,331	183,733
Equipment Maintenance and Rental	9,756	2,898	8,977	21,631	35,344
Insurance	10,580	440	717	11,737	11,716
Interest Expense	4,087	88	220	4,395	-
Litigation Expenses	4,849	-	-	4,849	866
Miscellaneous	126	16	1,091	1,233	1,408
Occupancy	60,802	7,294	12,251	80,347	79,625
Office and Technology Supplies	5,917	580	953	7,450	5,601
Postage and Shipping	7,548	538	909	8,995	6,153
Printing and Publications	27,456	1,696	8,430	37,582	21,603
Professional Fees	106,716	3,894	17,054	127,664	69,646
Salaries	812,009	89,470	147,540	1,049,019	899,760
Staff Development	7,711	270	899	8,880	4,902
Telephone	8,181	832	1,388	10,401	9,252
Travel, Conferences, and Special Events	19,431	371	654	20,456	18,789
Total	<u>\$ 6,010,229</u>	<u>\$ 158,755</u>	<u>\$ 235,108</u>	<u>\$ 6,404,092</u>	<u>\$ 5,330,203</u>

To the Board of Directors
Public Justice Center, Inc.

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

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, 2011, and have issued our report thereon dated September 30, 2011.

In the course of our audit, we examined the revenue and expenses for the Maryland Legal Services grant for the year July 1, 2010 through June 30, 2011, under the terms of the Grant Agreement between the Maryland Legal Services Corporation and Public Justice Center, Inc. executed on July 12, 2010.

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 12, 2010. 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, 2010 through June 30, 2011.

Cardoni Waddell, LLC
Columbia, Maryland
September 30, 2011

**PUBLIC JUSTICE CENTER, INC.
SCHEDULE OF REVENUE AND EXPENSES - MARYLAND
LEGAL SERVICES CORPORATION GRANT
FOR THE YEAR ENDED JUNE 30, 2011**

	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	\$ -	\$ -