

**PUBLIC JUSTICE CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2009 AND 2008**

## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
Supplementary Information	
Auditors' Special Report for Maryland Legal Services Corporation	12
Schedule of Functional Expenses	13
Schedule of Revenue and Expenses – Maryland Legal Services Corporation Grant	14

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, 2009 and 2008 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, 2009 and 2008, 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 28, 2009

**PUBLIC JUSTICE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 717,186	\$ 804,910
Grants Receivable	16,264	11,294
Advances, Employee	454	-
Prepaid Expenses and Deposits	14,851	13,197
Property and Equipment, net of Accumulated Depreciation	15,981	19,008
<b>Total Assets</b>	<b>\$ 764,736</b>	<b>\$ 848,409</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ 6,658
Accrued Expenses	67,078	62,981
Funds Held for Others	34,784	38,568
Total Liabilities	101,862	108,207
<b>Net Assets</b>		
Unrestricted	418,259	389,196
Temporarily Restricted	244,615	351,006
Total Net Assets	662,874	740,202
<b>Total Liabilities and Net Assets</b>	<b>\$ 764,736</b>	<b>\$ 848,409</b>

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, 2009**  
**(WITH COMPARATIVE TOTALS FOR 2008)**

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenues, Gains, and Support</b>					
Contributions	\$ 319,485	\$ -	\$ -	\$ 319,485	\$ 64,455
Contributed Professional Services	2,678,453	-	-	2,678,453	2,182,776
Cy Pres	16,965	-	-	16,965	157,200
Private Grants	-	1,074,859	-	1,074,859	1,277,329
Attorney Fees	-	-	-	-	146,918
Other Revenue	7,324	-	-	7,324	22,989
Loss on Disposal of Fixed Asset	(244)	-	-	(244)	-
Net Assets Released From Donor Restrictions	1,181,250	(1,181,250)	-	-	-
<b>Total Revenues, Gains, and Support</b>	<b>4,203,233</b>	<b>(106,391)</b>	<b>-</b>	<b>4,096,842</b>	<b>3,851,667</b>
<b>Operating Expenses</b>					
Program Services	3,905,559	-	-	3,905,559	3,196,955
Management and General	73,174	-	-	73,174	58,831
Fund-Raising	195,437	-	-	195,437	189,148
<b>Total Operating Expenses</b>	<b>4,174,170</b>	<b>-</b>	<b>-</b>	<b>4,174,170</b>	<b>3,444,934</b>
<b>Change in Net Assets</b>	<b>29,063</b>	<b>(106,391)</b>	<b>-</b>	<b>(77,328)</b>	<b>406,733</b>
<b>Net Assets, Beginning</b>	<b>389,196</b>	<b>351,006</b>	<b>-</b>	<b>740,202</b>	<b>333,469</b>
<b>Net Assets, Ending</b>	<b>\$ 418,259</b>	<b>\$ 244,615</b>	<b>\$ -</b>	<b>\$ 662,874</b>	<b>\$ 740,202</b>

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, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ (77,328)	\$ 406,733
Adjustments to Reconcile Net Assets to Net Cash Used in (Provided by) Operating Activities		
Depreciation	7,213	6,963
Loss on Disposal of Fixed Asset	244	-
Changes in Assets and Liabilities		
Grants Receivable	(4,970)	5,806
Advances, Employee	(454)	-
Prepaid Expenses and Deposits	(1,654)	(460)
Accounts Payable	(6,658)	2,145
Accrued Expenses	4,097	15,213
Funds Held for Others	(3,784)	36,699
Deferred Grant Revenue	-	(2,113)
	(83,294)	470,986
Net Cash Used in (Provided by) Operating Activities		
<b>Cash Flows From Investing Activities</b>		
Purchase of Property and Equipment	(4,430)	(5,539)
Net (Decrease) Increase in Cash and Cash Equivalents	(87,724)	465,447
<b>Cash and Cash Equivalents, Beginning</b>	804,910	339,463
<b>Cash and Cash Equivalents, Ending</b>	\$ 717,186	\$ 804,910

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, 2009 and 2008**

**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](http://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 Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, and SFAS No. 117, Financial Statements for Not-for-Profit Organizations. In accordance with SFAS No. 116, 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, 2009 and 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2009 are available from the following donors:

American Bar Association	\$ 41,927
Abell Foundation	22,498
Brown Goldstein & Levy	5,000
Ford Foundation	46,131
Foster Youth Incorporated	1,157
Francis D. Murnaghan, Jr. Appellate Advocacy Fellowship	7,641
Hoffberger Foundation	25,000
Jacob and Hilda Blaustein Foundation	20,000
Maryland Public Interest Law Project	2,400
Medicaid Matters-Maryland, Consumer Health Foundation	15,200
Medicaid Matters-Maryland, Fund	4,105
Medicaid Matters-Maryland, Jacob & Hilda Blaustein Foundation	5,292
Medicaid Matters-Maryland, Various Individual Donors	65
Public Welfare Foundation	34,101
Spanish Film, DLA Piper LLC	608
Spanish Film, Marianist Sharing Fund	3,000
Spanish Film, Philip and Beryl Sachs Family Foundation	7,500
Spanish Film, Various Individual Donors	185
Tenant Film, Abell Foundation	2,805
	<hr/>
	\$ 244,615

**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 \$145 and \$1,558 for the years ended June 30, 2009 and 2008, 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 – 7 years using the straight-line method.



**PUBLIC JUSTICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 and 2008**

**NOTE 2: PROPERTY AND EQUIPMENT**

The major classifications of property and equipment as of June 30, 2009 and 2008 are as follows:

	2009	2008
Property and Equipment	\$ 64,207	\$ 95,548
Less: Accumulated Depreciation	(48,226)	(76,540)
	\$ 15,981	\$ 19,008

Depreciation expense for the year ended June 30, 2009 and 2008 was \$7,213 and \$6,963, respectively.

**NOTE 3: COMMITMENTS AND CONTINGENCIES**

The Organization leases its office space and certain equipment under operating leases. The leases expire at various dates through the year 2013. Occupancy and equipment rental expense for the year ended June 30, 2009 and 2008 was \$89,264 and \$85,610 respectively.

Future minimum lease payments under operating leases at June 30, 2009 are as follows:

Fiscal Year:	2010		\$ 90,013
	2011		91,179
	2012		89,927
	2013		73,120
			\$ 344,239

**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, 2009 and 2008 is as follows:

	2009	2008
Attorneys/Paralegals/Other	\$ 2,678,453	\$ 2,182,776
Hours	9,845	8,425

**NOTE 6: CONCENTRATION OF RISK**

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

**PUBLIC JUSTICE CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 and 2008**

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

During the year ended June 30, 2009 and 2008, the Organization collected a total of \$174,924 and \$643,441, respectively on behalf of other Foundations, individuals, and organizations. As of June 30, 2009 and 2008, the Organization disbursed all but \$34,784 and \$38,568, respectively, of the funds per the instructions of the Foundations and Grantors.

**SUPPLEMENTARY INFORMATION**

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, 2009, and have issued our report thereon dated September 28, 2009.

In the course of our audit, we examined the revenue and expenses for the Maryland Legal Services grant for the year July 1, 2008 through June 30, 2009, under the terms of the Grant Agreement between the Maryland Legal Services Corporation and Public Justice Center, Inc. executed on July 3, 2008.

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 3, 2008. 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, 2008 through June 30, 2009.

*Cardoni Waddell, LLC*  
Columbia, Maryland  
September 28, 2009

**PUBLIC JUSTICE CENTER, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(WITH COMPARATIVE TOTALS FOR 2008)**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund-Raising</b>	<b>Total 2009</b>	<b>Total 2008</b>
Advertising	\$ 145	\$ -	\$ -	\$ 145	\$ 1,558
Benefit Dinner	-	-	-	-	5,829
Contributed Professional Services	2,673,338	5,115	-	2,678,453	2,182,776
Depreciation	6,707	145	361	7,213	6,963
Dues and Subscriptions	9,121	67	789	9,977	8,660
Employee Benefits and Payroll Taxes	161,899	10,345	28,764	201,008	168,352
Equipment Maintenance and Rental	12,879	1,042	7,109	21,030	21,919
Insurance	9,419	228	639	10,286	11,868
Litigation Expenses	985	-	-	985	416
Miscellaneous	354	4	781	1,139	1,328
Occupancy	63,920	4,059	11,298	79,277	76,353
Office and Technology Supplies	5,371	277	773	6,421	2,216
Postage and Shipping	4,819	226	630	5,675	4,762
Printing and Publications	67,882	599	2,042	70,523	29,909
Professional Fees	40,902	1,455	4,030	46,387	45,154
Salaries	807,761	48,773	135,398	991,932	828,669
Staff Development	7,430	241	1,088	8,759	9,245
Telephone	7,906	462	1,283	9,651	12,348
Travel, Conferences, and Special Events	24,721	136	452	25,309	26,609
<b>Total</b>	<b>\$ 3,905,559</b>	<b>\$ 73,174</b>	<b>\$ 195,437</b>	<b>\$ 4,174,170</b>	<b>\$ 3,444,934</b>

The report on page twelve is an integral part of this financial statement.

**PUBLIC JUSTICE CENTER, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES - MARYLAND**  
**LEGAL SERVICES CORPORATION GRANT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Actual Receipts and Expenditures</u>	<u>Approved Budget</u>
<b>Grants Revenue Received</b>	<u>\$ 238,000</u>	<u>\$ 238,000</u>
<b>Expenses</b>		
Payroll Costs		
Attorneys	55,700	55,700
Paralegal	52,800	52,800
Others	45,300	45,300
Employee Benefits	<u>42,500</u>	<u>42,500</u>
	196,300	196,300
Occupancy	28,700	28,700
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	2,000	2,000
Library and Dues	1,000	1,000
Audit	1,000	1,000
Contract Services	1,000	1,000
Other	<u>1,000</u>	<u>1,000</u>
Total Expenses	<u>238,000</u>	<u>238,000</u>
<b>Excess of Expenses Over Revenue</b>	<u>\$ -</u>	<u>\$ -</u>