

Equal Justice Initiative, Inc.

FINANCIAL STATEMENTS


September 30, 2016 and 2015



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REPORT



INDEPENDENT AUDITORS' REPORT

Board of Directors
Equal Justice Initiative, Inc.

We have audited the accompanying financial statements of Equal Justice Initiative, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, 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 control 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 audits 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 auditors' 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 the Equal Justice Initiative, Inc. as of September 30, 2016 and 2015, 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.

Car, Riggs & Ingram, L.L.C.

Montgomery, Alabama
March 9, 2017



FINANCIAL STATEMENTS

Equal Justice Initiative, Inc.
Statement of Financial Position

<i>September 30,</i>	2016		
	Unrestricted	Temporarily Restricted	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 5,093,269	\$ 7,328,521	\$ 12,421,790
Grants receivable	875,000	-	875,000
Accounts receivable	118,015	-	118,015
Due from (to) other funds	7,328,521	(7,328,521)	-
Inventory	72,273	-	72,273
Prepaid expenses	51,181	-	51,181
Total current assets	13,538,259	-	13,538,259
Restricted cash and cash equivalents	-	2,844,447	2,844,447
Certificates of deposit	602,207	-	602,207
Construction in process - Museum	3,314,204	-	3,314,204
Construction in process - Memorial	1,613,057	-	1,613,057
Property and equipment, net	1,482,464	-	1,482,464
Total assets	\$ 20,550,191	\$ 2,844,447	\$ 23,394,638
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 238,745	\$ -	\$ 238,745
Accrued liabilities	46,272	-	46,272
Total current liabilities	285,017	-	285,017
Net assets	20,265,174	2,844,447	23,109,621
Total liabilities and net assets	\$ 20,550,191	\$ 2,844,447	\$ 23,394,638

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

Equal Justice Initiative, Inc.
Statement of Financial Position

<i>September 30,</i>	2015		
	Unrestricted	Temporarily Restricted	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 6,110,159	\$ -	\$ 6,110,159
Grants receivable	1,626,363	-	1,626,363
Accounts receivable	239,151	-	239,151
Due from (to) other funds	-	-	-
Inventory	53,425	-	53,425
Prepaid expenses	152,906	-	152,906
Total current assets	8,182,004	-	8,182,004
Restricted cash and cash equivalents	-	-	-
Certificates of deposit	1,211,541	-	1,211,541
Construction in process - Museum	527,606	-	527,606
Construction in process - Memorial	209,000	-	209,000
Property and equipment, net	1,456,023	-	1,456,023
Total assets	\$ 11,586,174	\$ -	\$ 11,586,174
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 36,058	\$ -	\$ 36,058
Accrued liabilities	15,380	-	15,380
Total current liabilities	51,438	-	51,438
Net assets	11,534,736	-	11,534,736
Total liabilities and net assets	\$ 11,586,174	\$ -	\$ 11,586,174

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

Equal Justice Initiative, Inc.
Statement of Activities

<i>Year ended September 30,</i>	2016		
	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Contributions	\$ 6,713,460	\$ 4,896,512	\$ 11,609,972
Grants	1,985,311	2,015,000	4,000,311
Service income	990,037	-	990,037
Non-cash contributions	-	136,577	136,577
Investment return	102,575	-	102,575
Gain (loss) on disposal of assets	20,158	-	20,158
Other income	69,967	-	69,967
Reclassification of amounts released from restrictions	4,203,642	(4,203,642)	-
Total revenues and other support	14,085,150	2,844,447	16,929,597
Expenses			
Contract labor	49,980	-	49,980
Depreciation expense	162,150	-	162,150
Dues and subscriptions	73,253	-	73,253
Employee benefits	486,659	-	486,659
Experts	235,526	-	235,526
Insurance	23,361	-	23,361
Miscellaneous	17,624	-	17,624
Payroll taxes	203,387	-	203,387
Printing, postage, publishing and media	433,253	-	433,253
Re-entry and client support	124,094	-	124,094
Reimbursed expenses	49,323	-	49,323
Rental expense	16,781	-	16,781
Repairs, maintenance and renovation	49,446	-	49,446
Salaries and payroll expenses	2,650,866	-	2,650,866
Supplies	43,865	-	43,865
Training	238,418	-	238,418
Travel	270,139	-	270,139
Utilities, telephone and communication	226,587	-	226,587
Total expenses	5,354,712	-	5,354,712
Increase in net assets	8,730,438	2,844,447	11,574,885
Net assets, beginning of year	11,534,736	-	11,534,736
Net assets, end of year	\$ 20,265,174	\$ 2,844,447	\$ 23,109,621

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

Equal Justice Initiative, Inc.
Statement of Activities

Year ended September 30,

2015

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Contributions	\$ 5,007,305	\$ -	\$ 5,007,305
Grants	3,118,039	-	3,118,039
Service income	536,881	-	536,881
Non-cash contributions	-	-	-
Investment return	37,877	-	37,877
Gain (loss) on disposal of assets	(5,318)	-	(5,318)
Other income	79,476	-	79,476
Reclassification of amounts released from restrictions	-	-	-
Total revenues and other support	8,774,260	-	8,774,260
Expenses			
Contract labor	20,448	-	20,448
Depreciation expense	129,826	-	129,826
Dues and subscriptions	50,323	-	50,323
Employee benefits	371,945	-	371,945
Experts	95,951	-	95,951
Insurance	-	-	-
Miscellaneous	6,164	-	6,164
Payroll taxes	184,990	-	184,990
Printing, postage, publishing and media	299,005	-	299,005
Re-entry and client support	129,469	-	129,469
Reimbursed expenses	51,204	-	51,204
Rental expense	12,932	-	12,932
Repairs, maintenance and renovation	52,846	-	52,846
Salaries and payroll expenses	2,336,959	-	2,336,959
Supplies	30,206	-	30,206
Training	160,295	-	160,295
Travel	261,411	-	261,411
Utilities, telephone and communication	176,800	-	176,800
Total expenses	4,370,774	-	4,370,774
Increase in net assets	4,403,486	-	4,403,486
Net assets, beginning of year	7,131,250	-	7,131,250
Net assets, end of year	\$ 11,534,736	\$ -	\$ 11,534,736

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

Equal Justice Initiative, Inc.
Statements of Cash Flows

<i>For the years ended September 30,</i>	2016	2015
Operating Activities		
Increase in net assets	\$ 11,574,885	\$ 4,403,486
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	162,150	129,826
(Gain) loss on disposal of assets	(20,158)	5,318
Contributed investments	(198,418)	(168,213)
Realized losses on contributed investments	6,965	2,127
Change in operating assets and liabilities		
Grants receivable	751,363	94,773
Accounts receivable	121,136	(102,472)
Inventory	(18,848)	7,101
Prepaid expenses	101,725	12,212
Accounts payable	202,687	28,201
Accrued liabilities	30,892	(5,238)
Net cash provided by operating activities	12,714,379	4,407,121
Investing activities		
Construction in progress	(4,190,655)	(209,000)
Purchases of property and equipment	(188,952)	(825,680)
Proceeds from disposal of assets	20,519	-
Proceeds from certificates of deposit	961,541	452,125
Proceeds from sales of contributed investments	191,454	166,086
Purchases and reinvestments of certificates of deposit	(352,207)	(250,000)
Net cash used in investing activities	(3,558,300)	(666,469)
Net increase in cash and cash equivalents	9,156,078	3,740,652
Cash and cash equivalents, beginning of year	6,110,159	2,369,507
Cash and cash equivalents, end of year	\$ 15,266,237	\$ 6,110,159
As presented on statements of financial position:	2016	2015
Cash and cash equivalents	\$ 12,421,790	\$ 6,110,159
Restricted cash and cash equivalents	2,844,447	-
Total cash and cash equivalents, end of year	\$ 15,266,237	\$ 6,110,159

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

NOTE 1: NATURE OF OPERATIONS

Equal Justice Initiative, Inc. (EJI) (the Organization) is a non-profit law organization working to improve justice and fairness in America for the poor, disadvantaged, and incarcerated. EJI provides legal assistance to condemned prisoners, people wrongly convicted or unfairly sentenced, children in the criminal justice system, and the mentally ill and disabled facing imprisonment. EJI is actively engaged in efforts to improve conditions of confinement, provide legal aid to children and the disabled, assist condemned prisoners, and help the formerly incarcerated with re-entry, while also fighting to eliminate mass imprisonment, extreme punishments, and cruel sentencing practices. EJI also continues to expand and intensify work on race and poverty in America, and to bring increased knowledge and awareness of the connections between its nation's history of racial injustice and the current era of mass incarceration, disproportionate educational and economic opportunity, and police abuse of racial minorities. EJI remains committed to advocating for more hopeful solutions to the violence, powerlessness, and despair that plague many marginalized communities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to the U.S. generally accepted accounting principles, and have been consistently applied in the preparation of the financial statements.

The significant accounting policies of the Organization are summarized as follows:

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned rather than when received, and expenses when the related liability is incurred rather than when paid.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization 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. Support that creates a permanent source of income is classified as permanently restricted net assets. Support and other assets with stipulations that they be used for a specific purpose or for a specific time period are classified as temporarily restricted assets until such time as the purpose restriction is met or the stipulated time restriction ends, at which time they are reclassified. Restricted contributions that are received and spent in the same year are reported as unrestricted. The Organization had no permanently restricted net assets at September 30, 2016 and 2015.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit subject to immediate withdrawal. In presenting that statements of cash flows, the Organization considers all short-term, highly liquid investments to be cash equivalents that are readily convertible to known amounts of cash, and so near their maturities that they present insignificant risk of changes in value because of interest rates.

Grants and Accounts Receivable

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

The Organization maintains an inventory of various publications available for distribution to its colleagues and other users in connection with its primary exempt purposes. The cost of these items is recorded in program expenses. Inventory is stated at the lower of cost or market, with cost being determined by the first in, first out method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for major renewals or betterments that extend the useful life of an asset are capitalized. These assets are depreciated over the straight line method with useful lives of three to forty years.

Income Tax Status

The Organization is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to income tax. It is required to file an annual information return on Federal Form 990.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

The Organization has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. The tax years that remain subject to examination are the periods ending September 30, 2013 through 2016 for all major tax jurisdictions.

Grants Received and Donor Restricted Support

All grants received are considered to be available for unrestricted use unless specifically restricted by the donor. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

In-kind Contributions

The Organization receives in-kind contributions from time to time (e.g. investment securities). These contributions are recognized at fair market value on the date of the contribution.

Non-cash Contributions

The Organization receives contributed materials and services from time to time that improve or contribute value to property and equipment. These contributed materials and services are recognized by the Organization at fair value on the date of the contribution.

Reclassifications

Certain items have been reclassified in the 2015 financial statements to conform to current year presentation. These reclassifications had no impact on net assets or the increase in net assets for 2015.

Subsequent Events

The Organization has evaluated subsequent events through March 9, 2017, the date the financial statements were available to be issued.

Equal Justice Initiative, Inc.
Notes to Financial Statements

NOTE 3: CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

Cash and cash equivalents consist of the following:

<i>September 30,</i>	2016	2015
Petty cash	\$ 350	\$ 350
Business checking and money market accounts	15,265,887	6,109,809
Total Cash and Cash Equivalents	\$ 15,266,237	\$ 6,110,159

The Organization maintains its cash and cash equivalents and certificates of deposit balances at financial institutions located in Alabama. The Federal Deposit Insurance Corporation (FDIC) insures these balances up to a total of \$250,000 at each institution. For the years ended September 30, 2016 and 2015, the Organization had a total of \$14,507,755 and \$5,802,341 in excess of federal deposit insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Certificates of deposit are carried at fair value, which approximates cost.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<i>September 30,</i>	2016	2015
Land	\$ 160,000	\$ 160,000
Building	1,678,987	1,630,875
Furniture and fixtures	89,218	24,467
Office equipment	65,555	47,405
Automobiles	175,710	207,637
Computer equipment	130,652	114,662
Law books	13,175	13,175
Total property and equipment at cost	2,313,297	2,198,221
Less accumulated depreciation	(830,833)	(742,198)
	\$ 1,482,464	\$ 1,456,023

Depreciation expense was \$162,150 and \$129,826 for the years ended September 30, 2016 and 2015.

Equal Justice Initiative, Inc.
Notes to Financial Statements

NOTE 5: INVESTMENT RETURN

The Organization does not hold investments in marketable securities on an ongoing basis. However, the Organization does receive contributions of investments from contributors from time to time. These investments are liquidated upon receipt from the contributor. The Organization realizes gains and losses on those investments based on the difference between the fair value on the date of the gift and the fair value on the date of liquidation. The Organization also earns interest on its cash and cash equivalents and certificates of deposit.

Investment income consisted of the following:

<i>For the years ended September 30,</i>	2016	2015
Interest Income	\$ 109,540	\$ 40,004
Realized losses on contributed investments	(6,965)	(2,127)
Total Investment Return	\$ 102,575	\$ 37,877

NOTE 6: EMPLOYEE BENEFITS

The Organization has a 403(b) pension plan under which employees may defer a portion of their gross earnings. All full-time employees are eligible to participate. The plan is funded fully by employees. During the years ended September 30, 2016 and 2015, the Organization paid \$432,035 and \$371,945 for employee health insurance.

NOTE 7: COMMITMENTS

During May 2014, the Organization entered into a 39 month contract for a copier. The expense for this copier totaled \$2,424 and \$2,442 for the years ended September 30, 2016 and 2015.

The future minimum payments required under the contract are as follows:

<i>Year ended September 30,</i>	
2017	\$ 1,480
Total Future Minimum Lease Payments	\$ 1,480

Equal Justice Initiative, Inc.
Notes to Financial Statements

NOTE 8: FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional classification consisted of the following:

<i>Years ended September 30,</i>	2016	2015
Program expenses	\$ 4,882,833	\$ 4,088,770
Supporting services:		
Fundraising	351,002	197,577
Management and general	120,877	84,427
Total supporting services	471,879	282,004
Total Functional Expenses	\$ 5,354,712	\$ 4,370,774

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

During the year ended September 30, 2015, the Organization began a Capital Campaign designed to raise funds for the construction of The Memorial to Peace and Justice and From Enslavement to Mass Incarceration Museum. Total anticipated costs associated with The Memorial to Peace and Justice (\$6.5M) and From Enslavement to Mass Incarceration Museum (\$7.5M) are about \$14 million dollars. Net assets restricted for these purposes are as follows:

<i>September 30,</i>	2016	2015
Temporarily restricted	\$ 2,844,447	\$ -
Total Capital Campaign	\$ 2,844,447	\$ -

The Organization also began construction of these projects during the year ended September 30, 2016 and construction in progress amounts for each are as follows:

<i>September 30,</i>	2016	2015
The Memorial to Peace and Justice	\$ 1,613,057	\$ 527,606
From Enslavement to Mass Incarceration Museum	3,314,204	209,000
Total Construction in Progress	\$ 4,927,261	\$ 736,606