

Equal Justice Initiative, Inc.

FINANCIAL STATEMENTS

September 30, 2014 and 2013



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REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Equal Justice Initiative, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Equal Justice Initiative, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – cash basis as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net assets – cash basis 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Equal Justice Initiative, Inc. as of September 30, 2014 and 2013, and its revenues and expenses for the years then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Case, Riggs & Ingram, L.L.C.

Montgomery, Alabama
January 5, 2014



FINANCIAL STATEMENTS

Equal Justice Initiative, Inc.
Statements of Assets, Liabilities, and Net Assets – Cash Basis

<i>September 30,</i>	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 2,369,507	\$ 2,171,923
Total current assets	2,369,507	2,171,923
Certificates of deposit		
	1,413,666	1,867,755
Total assets	\$ 3,783,173	\$ 4,039,678
Liabilities and net assets		
Current liabilities		
Payroll tax liabilities	\$ 20,618	\$ 18,111
Total current liabilities	20,618	18,111
Net assets		
Unrestricted	3,762,555	4,021,567
Total net assets	3,762,555	4,021,567
Total liabilities and net assets	\$ 3,783,173	\$ 4,039,678

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

Equal Justice Initiative, Inc.

Statements of Revenues, Expenses and Changes in Net Assets – Cash Basis

<i>Years ended September 30,</i>	2014	2013
Revenues		
Grants	\$ 1,625,364	\$ 1,397,875
Contributions	1,592,881	1,301,049
Service income	161,454	151,592
Investment return	30,304	30,024
Other reimbursements	55,653	23,657
Alabama Trial Manual	650	1,710
Miscellaneous income	12,700	3,700
Total revenues	3,479,006	2,909,607
Expenses		
Consultation services	38,712	47,508
Dues and subscriptions	27,161	31,201
Employee benefits	345,747	319,392
Experts	6,450	24,359
Furniture and fixtures	6,834	4,370
Miscellaneous	3,508	4,731
Payroll taxes	169,389	163,926
Printing, postage, publishing and media	346,627	329,718
Re-entry expense	15,368	34,117
Reimbursed expenses	46,324	31,370
Rental expense	14,620	9,327
Repairs, maintenance and renovation	77,259	110,122
Salaries and payroll expenses	2,113,030	1,980,504
Supplies	28,518	29,196
Training	108,683	80,953
Travel	237,374	153,389
Utilities, telephone and communication	152,414	137,775
Total expenses	3,738,018	3,491,958
Deficit revenues over expenses	(259,012)	(582,351)
Net assets, beginning of year	4,021,567	4,603,918
Net assets, end of year	\$ 3,762,555	\$ 4,021,567

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.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Under this basis, revenues are recognized when cash is received, rather than when earned and expenses are recorded when cash is disbursed, rather than when the expense is incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit subject to immediate withdrawal.

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. When income is earned from unrelated business operations, the filing of Federal Form 990-T and Alabama for 20C is required and resulting taxes, if any, are paid on net unrelated business income in excess of \$1,000. The Organization did not incur any such tax liability for 2014 or 2013.

Equal Justice Initiative, Inc.
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification No. 740 (ASC No. 740), *Accounting for Uncertainty in Income Taxes*. 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, 2011 through 2014 for all major tax jurisdictions.

Fair Value of Financial Instruments

The carrying amounts of the Organization's financial instruments, including cash and cash equivalents and certificates of deposit, approximate their fair value at September 30, 2014 and 2013, due to the short-term nature of these instruments.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through January 5, 2014, the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

Cash and cash equivalents and certificates of deposit consist of the following:

<i>September 30,</i>	2014	2013
Petty cash	\$ 250	\$ 250
Business checking and money market accounts	2,369,257	2,171,673
Certificates of deposit	1,413,666	1,867,755
Total Cash and Cash Equivalents	\$ 3,783,173	\$ 4,039,678

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, 2014 and 2013, the Organization had a total of \$2,452,391 and \$2,565,522, respectively, 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.

Investment return presented in the statements of revenues, expenses and changes in net assets – cash basis consists of interest income of \$30,304 and \$30,024 for the years ended September 30, 2014 and 2013, respectively.

Equal Justice Initiative, Inc.
Notes to Financial Statements

NOTE 4: 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, 2014 and 2013, the Organization paid \$306,859 and \$303,032, respectively for employee health insurance.

NOTE 5: COMMITMENTS

During June 2012, the Organization entered into a 36 month contract for online subscription services. The expense for this service totaled \$25,053 and \$37,850 for the years ended September 30, 2014 and 2013, respectively.

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

<i>Year ended September 30,</i>	
2015	\$ 25,053
Total Future Minimum Payments	\$ 25,053

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional classification consisted of the following:

<i>Years ended September 30,</i>	2014	2013
Program expenses:		
Legal services	\$ 3,456,930	\$ 3,202,071
Supporting services:		
Fundraising	59,859	57,747
Management and general	221,229	232,140
Total supporting services	281,088	289,887
Total Functional Expenses	\$ 3,738,018	\$ 3,491,958

NOTE 7: CONCENTRATION

The Organization received approximately 37% and 38% of its total revenue from three of its grants for the years ended September 30, 2014 and 2013, respectively.