Equal Justice Initiative, Inc.

FINANCIAL STATEMENTS

September 30, 2015

Equal Justice Initiative, Inc.
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REPORT

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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 statement of financial position as of September 30, 2015, and the related statements of activities and 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.

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 audit 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

Montgomery, Alabama
May 17, 2016

FINANCIAL STATEMENTS

Equal Justice Initiative, Inc.
Statement of Financial Position

September 30,	2015
Assets	
Current assets	
Cash and cash equivalents	$ 6,110,159
Grants receivable	1,626,363
Accounts receivable	239,151
Inventory	53,425
Prepaid expenses	152,906
Total current assets	8,182,004
Certificates of deposit	1,211,541
Construction in process	209,000
Property and equipment, net	1,983,629
Total assets	$ 11,586,174
Liabilities and net assets	
Current liabilities	
Accounts payable	$ 36,058
Accrued liabilities	15,380
Total current liabilities	51,438
Net assets	
Unrestricted	11,534,736
Total net assets	11,534,736
Total liabilities and net assets	$ 11,586,174

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

Equal Justice Initiative, Inc.
Statement of Activities

Year ended September 30,	**2015**
Changes in unrestricted net assets	
Revenues and other support	
Grants	**$ 3,118,039**
Contributions	**5,007,305**
Service income	**536,641**
Investment return	**37,877**
Other income	**79,715**
Loss on disposal of assets	**(5,318)**
Total revenues and other support	**8,774,259**
Expenses	
Consultation services	**20,448**
Depreciation expense	**129,826**
Dues and subscriptions	**50,323**
Employee benefits	**371,945**
Experts	**95,951**
Furniture and fixtures	**2,018**
Miscellaneous	**4,145**
Payroll taxes	**184,990**
Printing, postage, publishing and media	**299,005**
Re-entry expense	**129,469**
Reimbursed expenses	**51,204**
Rental expense	**12,932**
Repairs, maintenance and renovation	**52,846**
Salaries and payroll expenses	**2,336,959**
Supplies	**30,206**
Training	**160,295**
Travel	**261,411**
Utilities, telephone and communication	**176,800**
Total expenses	**4,370,773**
Increase in unrestricted net assets	**4,403,486**
Net assets, beginning of year (as restated - Note 10)	**7,131,250**
Net assets, end of year	**$ 11,534,736**

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

Statement of Cash Flows

For the year ended September 30,	2015
Operating Activities	
Increase in unrestricted net assets	$ 4,403,486
Adjustments to reconcile increase in unrestricted net assets	
to net cash provided by operating activities:	
Depreciation	129,826
Loss on disposal of assets	5,318
Contributed investments	(168,213)
Realized losses on contributed investments	2,127
Change in operating assets and liabilities	
Grants receivable	94,773
Accounts receivable	(102,472)
Inventory	7,101
Prepaid expenses	12,212
Accounts payable	28,201
Accrued liabilities	(5,238)
Net cash provided by operating activities	4,407,121
Investing activities	
Construction in progress	(209,000)
Purchase of fixed assets	(825,680)
Proceeds from certificates of deposit	452,125
Proceeds from sales of contributed investments	166,086
Purchases of certificates of deposit	(250,000)
Net cash used in investing activities	(666,469)
Net increase in cash and cash equivalents	3,740,652
Cash and cash equivalents, beginning of year	2,369,507
Cash and cash equivalents, end of year	$ 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.

Change in Basis of Accounting

For years ended September 30, 2014 and prior, the Organization reported using the cash basis of accounting. Effective October 1, 2014, the Organization changed its basis of accounting to conform to U.S. Generally Accepted Accounting Principles. The effects of this change are detailed in Note 10.

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. Restricted contributions that are received and spent in the same year are reported as unrestricted. The Organization had no temporarily or permanently restricted net assets at September 30, 2015.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit subject to immediate withdrawal. In presenting that statement 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)

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, 2012 through 2015 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.

Fair Value of Financial Instruments

The carrying amounts of the Organization's financial instruments, including cash and cash equivalents, certificates of deposit, accounts receivable, grants receivable, and accounts payable approximate their fair value at September 30, 2015, due to the short-term nature of these instruments.

Subsequent Events

The Organization has evaluated subsequent events through May 17, 2016, 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:

September 30,	**2015**
Petty cash	**$ 350**
Business checking and money market accounts	**6,109,809**
Total cash and cash equivalents	**6,110,159**
Certificates of deposit	**1,211,541**
Total Cash and Cash Equivalents and Certificates of Deposit	**$ 7,321,700**

NOTE 3: CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (CONTINUED)

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 year ended September 30, 2015, the Organization had a total of $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:

September 30,	**2015**
Land	**$ 160,000**
Land for memorial	**527,606**
Building	**1,630,875**
Furniture and fixtures	**24,467**
Office equipment	**47,405**
Automobiles	**207,637**
Computer equipment	**114,662**
Law books	**13,175**
Total property and equipment at cost	**2,725,827**
Less accumulated depreciation	**(742,198)**
	$ 1,983,629

Depreciation expense was $129,826 for the year ended September 30, 2015.

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 donors from time to time. These investments are liquidated upon receipt from the donor. The Organization realizes gains and losses on those investments between the fair value on the date of the gift and the fair value on the date of liquidation.

NOTE 5: INVESTMENT RETURN (CONTINUED)

Investment income consisted of the following:

For the year ended September 30,		**2015**
Interest Income	**$**	**40,004**
Realized losses on contributed investments		**(2,127)**
Total Investment Return	**$**	**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 year ended September 30, 2015, the Organization paid $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 $2,442 for the year ended September 30, 2015.

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

Years ended September 30,		
2016	**$**	**2,220**
2017		**1,480**
Total Future Minimum Lease Payments	**$**	**3,700**

NOTE 8: FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional classification consisted of the following:

Year ended September 30,	**2015**
Program expenses:	
Legal services	**$ 4,088,769**
Supporting services:	
Fundraising	**197,577**
Management and general	**84,427**
Total supporting services	**282,004**
Total Functional Expenses	**$ 4,370,773**

NOTE 9: CONCENTRATION

The Organization received approximately 21% of its total revenue from four of its grantors for the year ended September 30, 2015.

NOTE 10: CHANGE IN BASIS OF ACCOUNTING

The Organization changed its basis of accounting from the cash basis to U.S. generally accepted accounting principles on October 1, 2014. As a result of this change, beginning net assets were adjusted to reflect this change. Adjustments to beginning net assets were as follows:

Net Assets, September 30, 2014 (Cash Basis), as originally stated	**$ 3,762,555**
Adjustments related to property and equipment, including depreciation expense	**1,293,092**
Adjustments related to inventory	**60,528**
Adjustments related to grants and accounts receivable	**1,857,814**
Adjustments related to prepaid expenses	**165,118**
Adjustments related to accounts payable and accrued liabilities	**(7,857)**
Net Assets, September 30, 2014 (US GAAP), as restated	**$ 7,131,250**