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RESPECT. CONFIDENCE. TRUST.

ALLIANCE FOR JUSTICE
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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Matthews, Carter and Boyce

ALLIANCE FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 939,268	\$ 1,633,440
Accounts receivable, net of allowance for doubtful accounts of \$6,061 and \$0 in 2012 and 2011, respectively	14,812	38,544
Contributions receivable	21,834	25,264
Grants receivable	1,239,665	753,872
Due from affiliates	49,828	4,132
Prepaid expenses	81,800	104,891
Total Current Assets	\$ 2,347,207	\$ 2,560,143
PROPERTY AND EQUIPMENT		
Furniture and fixtures	\$ 48,716	\$ 69,083
Equipment	94,519	105,055
Software	93,371	68,443
Leasehold improvements	360,691	359,341
Total Cost	\$ 597,297	\$ 601,922
Less accumulated depreciation	(270,327)	(241,762)
Net Property and Equipment	\$ 326,970	\$ 360,160
OTHER ASSETS		
Investments	\$ 2,740,488	\$ 2,530,068
Deposits	3,772	3,772
Total Other Assets	\$ 2,744,260	\$ 2,533,840
TOTAL ASSETS	\$ 5,418,437	\$ 5,454,143
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 78,519	\$ 62,347
Accrued leave payable	83,472	81,610
Tenant security deposits	11,000	11,000
Deferred revenue	5,000	993
Total Current Liabilities	\$ 177,991	\$ 155,950
OTHER LIABILITIES		
Deferred rent	286,325	256,431
Deferred contract incentive	-	2,500
Deferred lease incentive	268,684	301,922
Total Liabilities	\$ 733,000	\$ 716,803
NET ASSETS		
Unrestricted net assets	\$ 2,491,776	\$ 2,433,303
Temporarily restricted net assets	2,193,661	2,304,037
Total Net Assets	\$ 4,685,437	\$ 4,737,340
TOTAL LIABILITIES AND NET ASSETS	\$ 5,418,437	\$ 5,454,143

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

ALLIANCE FOR JUSTICE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grant revenue	\$ 438,600	\$ 2,462,900	\$ 2,901,500	\$ 698,500	\$ 1,971,500	\$ 2,670,000
Contributions	617,543	-	617,543	597,279	31,750	629,029
Annual luncheon	219,519	-	219,519	205,570	-	205,570
Less annual luncheon direct expenses	(60,055)	-	(60,055)	(67,328)	-	(67,328)
Publication sales	7,558	-	7,558	14,831	-	14,831
Membership dues	69,000	-	69,000	58,000	-	58,000
Other revenue	143,107	-	143,107	122,636	-	122,636
Net assets released from restriction due to satisfaction of program or time restrictions	2,573,276	(2,573,276)	-	2,187,792	(2,187,792)	-
Total Revenue and Support	\$ 4,008,548	\$ (110,376)	\$ 3,898,172	\$ 3,817,280	\$ (184,542)	\$ 3,632,738
INVESTMENT ACTIVITY						
Interest and dividend income	\$ 62,223	\$ -	\$ 62,223	\$ 83,375	\$ -	\$ 83,375
Realized gain (loss) on investments and assets	(5,745)	-	(5,745)	(23,823)	-	(23,823)
Unrealized gain (loss) on investments	147,872	-	147,872	28,369	-	28,369
Total Investment Activity	\$ 204,350	\$ -	\$ 204,350	\$ 87,921	\$ -	\$ 87,921
Total Revenue, Support and Investment Activity	\$ 4,212,898	\$ (110,376)	\$ 4,102,522	\$ 3,905,201	\$ (184,542)	\$ 3,720,659

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

ALLIANCE FOR JUSTICE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONCLUDED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES						
Program services:						
Bolder Advocacy/Non-Profit Advocacy Project	\$ 2,255,148	\$ -	\$ 2,255,148	\$ 1,587,218	\$ -	\$ 1,587,218
Judicial Selection Project	1,145,394	-	1,145,394	680,280	-	680,280
Access to Justice	166,095	-	166,095	640,878	-	640,878
Foundation Advocacy Initiative	-	-	-	332,667	-	332,667
Fellows Program	171,097	-	171,097	174,465	-	174,465
Total Program Services	<u>\$ 3,737,734</u>	<u>\$ -</u>	<u>\$ 3,737,734</u>	<u>\$ 3,415,507</u>	<u>\$ -</u>	<u>\$ 3,415,507</u>
Supporting services:						
Fundraising	\$ 194,999	\$ -	\$ 194,999	\$ 234,940	\$ -	\$ 234,940
Management and administrative	221,692	-	221,692	169,661	-	169,661
Total Supporting Services	<u>\$ 416,691</u>	<u>\$ -</u>	<u>\$ 416,691</u>	<u>\$ 404,601</u>	<u>\$ -</u>	<u>\$ 404,601</u>
Total Expenses	<u>\$ 4,154,425</u>	<u>\$ -</u>	<u>\$ 4,154,425</u>	<u>\$ 3,820,108</u>	<u>\$ -</u>	<u>\$ 3,820,108</u>
CHANGE IN NET ASSETS	\$ 58,473	\$ (110,376)	\$ (51,903)	\$ 85,093	\$ (184,542)	\$ (99,449)
NET ASSETS, BEGINNING OF YEAR	<u>2,433,303</u>	<u>2,304,037</u>	<u>4,737,340</u>	<u>2,348,210</u>	<u>2,488,579</u>	<u>4,836,789</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,491,776</u></u>	<u><u>\$ 2,193,661</u></u>	<u><u>\$ 4,685,437</u></u>	<u><u>\$ 2,433,303</u></u>	<u><u>\$ 2,304,037</u></u>	<u><u>\$ 4,737,340</u></u>

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

ALLIANCE FOR JUSTICE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (51,903)	\$ (99,449)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	\$ 62,675	\$ 54,942
Loss on disposal of fixed assets	-	183
Provision for bad debt	6,561	-
Unrealized gain on investments	(147,872)	(28,369)
Amortization of deferred lease incentive	(33,238)	(33,238)
Change in assets and liabilities		
(Increase) Decrease in Assets:		
Accounts receivable	23,732	237,256
Contributions receivable	(3,131)	7,936
Grants receivable	(485,793)	909,756
Prepaid expenses	23,090	(86,141)
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	16,172	(94,944)
Accrued leave payable	1,862	4,911
Security deposit payable	-	-
Deferred rent	29,894	41,937
Deferred lease incentive	-	-
Deferred services	(2,500)	2,500
Deferred revenue	4,007	8,093
	\$ (504,541)	\$ 1,024,822
Total Adjustments		
	\$ (556,444)	\$ 925,373
Net Cash (Used) Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property and equipment	\$ (29,484)	\$ (58,442)
Change in due to/from affiliate	(45,696)	(521)
Redemption of certificate of deposit	-	76,021
Investment earnings re-invested	(62,223)	(83,101)
Purchase of investments	(522,015)	(750,000)
Sales of investments	521,690	752,597
	\$ (137,728)	\$ (63,446)
Net Cash Used by Investing Activities		
	\$ (694,172)	\$ 861,927
NET (DECREASE) INCREASE IN CASH		
	1,633,440	771,513
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	\$ 939,268	\$ 1,633,440
CASH AND CASH EQUIVALENTS, END OF YEAR		

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

ALLIANCE FOR JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services				Supporting Services				Total Expenses
	Bolder Advocacy	Judicial Selection	Access to Justice	Fellows	Total Program Services	Fundraising	Management and Administrative	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 1,475,986	\$ 587,631	\$ 112,502	\$ 123,564	\$ 2,299,683	\$ 130,400	\$ 62,540	\$ 192,940	\$ 2,492,623
Accounting and bookkeeping	3,083	1,708	317	335	5,443	397	25,465	25,862	31,305
Advertising and public relations	11,253	31,889	-	-	43,142	-	1,785	1,785	44,927
Bad debts	-	-	-	-	-	-	6,061	6,061	6,061
Bank charges	-	-	-	-	-	-	10,376	10,376	10,376
Books and periodicals	18,699	16,354	133	186	35,372	3,647	5,651	9,298	44,670
Consultants	112,476	100,983	-	-	213,459	-	13,842	13,842	227,301
Depreciation	36,181	15,377	2,956	3,222	57,736	3,442	1,497	4,939	62,675
Dues and licenses	4,029	1,428	-	-	5,457	-	3,655	3,655	9,112
Equipment rental	1,868	719	107	200	2,894	166	918	1,084	3,978
Grants	-	-	-	-	-	-	3,400	3,400	3,400
Insurance	9,570	4,871	892	1,061	16,394	1,062	4,079	5,141	21,535
Internet fees	42,622	20,775	3,219	4,274	70,890	4,335	13,385	17,720	88,610
Internship	28,510	19,354	-	-	47,864	-	7,139	7,139	55,003
Legal fees	11,116	-	-	-	11,116	-	-	-	11,116
Meetings and conferences	12,946	16,473	35	-	29,454	-	18,098	18,098	47,552
Miscellaneous	-	59	29	-	88	-	1,760	1,760	1,848
Office supplies	16,198	6,223	1,145	1,409	24,975	1,391	1,483	2,874	27,849
Postage and delivery	3,421	3,812	273	82	7,588	969	2,900	3,869	11,457
Printing and copying	28,463	21,583	185	124	50,355	6,326	9,543	15,869	66,224
Professional fees	28,995	-	-	-	28,995	-	4,000	4,000	32,995
Rent and utilities	305,002	142,096	27,505	31,540	506,143	32,231	8,461	40,692	546,835
Repairs and maintenance	43,426	17,500	3,263	3,886	68,075	7,078	2,183	9,261	77,336
Telephone	15,893	7,456	1,040	1,214	25,603	1,232	1,798	3,030	28,633
Travel	45,411	26,702	3,374	-	75,487	2,323	11,673	13,996	89,483
Video production	-	102,401	9,120	-	111,521	-	-	-	111,521
Total Expenses	\$ 2,255,148	\$ 1,145,394	\$ 166,095	\$ 171,097	\$ 3,737,734	\$ 194,999	\$ 221,692	\$ 416,691	\$ 4,154,425

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

ALLIANCE FOR JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services					Supporting Services				Total Expenses
	Non-Profit Advocacy	Judicial Selection	Access to Justice	Foundation Advocacy Initiative	Fellows	Total Program Services	Fundraising	Management and Administrative	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 915,725	\$ 347,986	\$ 445,609	\$ 205,295	\$ 118,680	\$ 2,033,295	\$ 150,005	\$ 58,894	\$ 208,899	\$ 2,242,194
Accounting and bookkeeping	2,472	1,282	1,704	717	504	6,679	534	23,590	24,124	30,803
Advertising and public relations	800	2,009	-	-	-	2,809	-	485	485	3,294
Bank charges	-	-	-	-	-	-	-	7,250	7,250	7,250
Books and periodicals	15,129	12,574	607	2,287	163	30,760	2,623	1,446	4,069	34,829
Consultants	84,671	13,200	-	13,950	-	111,821	16,200	6,590	22,790	134,611
Depreciation	16,815	8,946	12,441	6,187	3,921	48,310	4,599	2,033	6,632	54,942
Dues and licenses	2,145	1,809	165	118	53	4,290	113	4,482	4,595	8,885
Equipment rental	386	234	312	154	79	1,165	110	43	153	1,318
Grants	-	-	-	-	-	-	-	3,054	3,054	3,054
Insurance	11,190	2,140	3,223	1,008	826	18,387	526	102	628	19,015
Internet fees	40,122	15,674	16,935	13,010	4,797	90,538	7,294	8,222	15,516	106,054
Internship	15,847	24,340	-	4,200	-	44,387	-	4,488	4,488	48,875
Legal fees	718	-	-	-	-	718	-	-	-	718
Meetings and conferences	10,060	17,269	46	11,604	-	38,979	84	8,556	8,640	47,619
Miscellaneous	-	26	-	-	-	26	156	1,679	1,835	1,861
Office supplies	6,290	3,260	4,055	1,944	1,035	16,584	1,154	2,278	3,432	20,016
Postage and delivery	5,177	1,567	782	331	195	8,052	1,343	2,801	4,144	12,196
Printing and copying	22,893	13,851	1,625	857	457	39,683	3,643	4,549	8,192	47,875
Professional fees	128,755	2,000	-	-	-	130,755	-	3,788	3,788	134,543
Rent and utilities	216,584	95,664	127,576	55,041	37,800	532,665	39,932	16,133	56,065	588,730
Repairs and maintenance	32,480	13,187	17,865	7,279	4,831	75,642	4,985	4,743	9,728	85,370
Telephone	9,886	10,701	4,057	1,787	1,124	27,555	1,406	2,594	4,000	31,555
Travel	49,072	14,181	3,875	6,899	-	74,027	233	1,861	2,094	76,121
Video production	-	78,380	-	-	-	78,380	-	-	-	78,380
Total Expenses	\$ 1,587,218	\$ 680,280	\$ 640,878	\$ 332,667	\$ 174,465	\$ 3,415,507	\$ 234,940	\$ 169,661	\$ 404,601	\$ 3,820,108

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

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 1. Organization and Programs

Organization

The Alliance for Justice (the "Alliance") is incorporated under the laws of the District of Columbia as a not-for-profit, non-stock corporation. The Alliance has been organized to operate exclusively for charitable and educational purposes and, in particular, to ensure that all Americans have the right to secure justice in the courts and to have their voices heard when government makes decisions that affect their lives.

Program description

Bolder Advocacy - through its Bolder Advocacy initiative, AFJ strengthens the capacity of the public interest community to influence public policy. Bolder Advocacy promotes active engagement in democratic processes and institutions by giving nonprofits and foundations the confidence to advocate effectively and by protecting their right to do so. The goal is to demystify and decode advocacy by equipping organizations with knowledge and tools. AFJ helps organizations fully understand the rules and become assertive in their right to pursue their policy goals.

Bolder Advocacy started in 2012 and expands upon and incorporates two other Alliance programs - the Non Profit Advocacy Project and the Foundation Advocacy Initiative.

The Non Profit Advocacy Project - works to amplify the voice of the nonprofit sector in important public policy debates by giving tax-exempt organizations a better understanding of the laws that govern their participation in the policy process and advocates for the protection and expansion of advocacy rights. The Alliance conducts workshops, prepares and distributes plain language publications, provides assistance, and educates the public.

Foundation Advocacy Initiative – a 2011 initiative that educates the foundation community on federal regulations governing grants and the need for increased foundation support for organizations that seek to influence policy and public opinion. The Foundation Advocacy Initiative helps foundations in these efforts through workshops, examples of documents, and technical assistance.

Access to Justice Project – protects and promotes the value of a vigorous civil justice system and monitors and exposes threats to the rule of law. The Access to Justice Project educates the public and policy makers through rigorous research, comprehensive written reports and publications and information for the public.

Judicial Selection Project – monitors and investigates nominations to the federal bench, and engages the public to ensure that the federal judiciary reflects the diversity of America, adheres to the highest legal standards, and is composed of judges who are fair, independent, compassionate and respectful of the country's progress in civil rights, environmental protection and reproductive choice.

Fellows Program – introduces recent college and law school graduates to public interest careers and service.

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 2. Summary of Significant Accounting Policies

Basis of presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which is codified at FASB ASC 958. Under FASB ASC 958, the Alliance is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Revenue recognition

The Alliance accounts for contributions in accordance with the requirements of SFAS 116, *Accounting for Contributions Received and Contributions Made*, which is codified at FASB ASC 958. Under the guidelines of FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Alliance reports gifts of equipment as unrestricted support unless explicit stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of restrictions when the assets are placed in service.

Contributions, grants, accounts receivable and allowance for doubtful accounts

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions and grants are recognized as revenue in the period the pledge is received. Conditional contributions and grants are recognized when the conditions on which they depend are substantially met. All contributions and grants receivable are expected to be collected.

Accounts receivable are recorded at the lower of cost or fair value. The risk of loss on the receivables is the balance due at the time of default. All receivables are unsecured. The Alliance uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based upon experience, management's analysis of specific promises made, and other historical factors that pertain to the receivables. The allowance as of December 31, 2012 and 2011 is \$6,061 and \$0, respectively. No interest is accrued on receivables.

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 2. Summary of Significant Accounting Policies (Continued)

Property and equipment and depreciation

The Alliance capitalizes fixed assets with an original cost of \$1,000 or more. Leasehold improvements, software, furniture, and equipment are recorded at cost. Donated equipment is reflected in the accompanying financial statements at its estimated value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over the life of the lease.

Cash equivalents

For purposes of the statement of cash flows, the Alliance considers all highly liquid short term debt instruments whose maturity dates do not extend past three months from the original date of purchase, and money market funds, to be cash equivalents.

Investments

Investments are recorded at fair market value. Unrealized gains and losses are included in the change in net assets.

Deferred revenue

Deferred revenue represents payments received for services that have not yet been performed.

Functional allocation of expenditures

The costs of providing various programs and other activities of the Alliance have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs and other allocable costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program.

Use of 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 and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair value of financial instruments

Items considered to be financial instruments (cash, contributions receivable, and accounts payable) are stated in the accompanying financial statements at amounts which approximate their fair value.

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 2. Summary of Significant Accounting Policies (Concluded)

Income taxes

The Internal Revenue Service has determined that the Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Alliance did not engage in activities which might give rise to income tax during 2012 or 2011. Accordingly, no provision for income tax is made in the accompanying financial statements.

The Alliance has adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), as permitted by FASB Staff Position (FSP) FIN 48-3, which is codified as FASB ASC 740. FASB ASC 740 requires changes in recognition and measurement for uncertain tax positions. The Alliance has analyzed its tax positions, and has concluded that it is not aware of any uncertain tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months. If this position changes, the Alliance will assess the impact of any such matters on its financial position and results of operations.

The Alliance files its information tax returns for Federal and various states' reporting purposes. Currently, the 2012, 2011 and 2010 tax returns are open and subject to examination. The Alliance is not currently under audit by any taxing jurisdiction.

Reclassification

Certain amounts from the 2011 financial statements have been reclassified to conform to the presentation of the 2012 financial statements.

Note 3. Contributions, Accounts and Grants Receivable

Contributions, accounts and grants receivable due within one year or less are reported as current assets. Grants receivable that are due after one year are reported at their net present value in other assets.

Management believes that all contributions, accounts and grants receivable are collectible. However, a provision for uncollectible accounts of \$6,061 and \$0 are included in the accompanying financial statements for the years ended December 31, 2012 and 2011, respectively.

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 4. Investments

The Alliance adopted the provisions of SFAS No. 157, Fair Value Measurements, which was codified as FASB ASC 820, "Fair Value Measurement" in September 2009. In accordance with FASB ASC 820, the Alliance has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market
- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices that are observable for the assets
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

All of the investment assets recorded in the Statements of Financial Position are categorized based on the inputs to the valuation technique and are at quoted prices in active markets for identical assets, Level 1 assets.

The Alliance reports investments in debt and equity securities at fair value, with gains and losses included in the statement of activities and changes in net assets.

The Alliances' investment policy is diversification to reduce volatility of price fluctuations in its overall portfolio and balance risk/return levels to meet its financial goals.

Investments consist of the following:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
Closed end funds	\$ 1,899,399	\$ 1,836,036	\$ 1,805,620	\$ 1,769,155
500 Index fund	840,102	801,178	724,448	631,576
Equities	987	276	-	-
Total	<u>\$ 2,740,488</u>	<u>\$ 2,637,490</u>	<u>\$ 2,530,068</u>	<u>\$ 2,400,731</u>

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short term liquidity of certain investments held by the Alliance which could impact the value of the investments after the date of these financial statements.

ALLIANCE FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Bolder Advocacy/The Non Profit Advocacy		
Project/Foundation Advocacy Initiative	\$ 1,503,071	\$ 1,863,733
Judicial Selection Project	130,932	68,750
Klagsbrun Fellowship	32,500	-
Dorot Fellowship	32,367	22,304
California office – general support	494,791	287,500
Hiles Fellowship	-	31,750
Access to Justice Project	-	30,000
Total	<u>\$ 2,193,661</u>	<u>\$ 2,304,037</u>

Note 6. Temporarily Restricted Net Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following is a summary of assets released from restriction during the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Bolder Advocacy/The Non Profit Advocacy		
Project/Foundation Advocacy Initiative	\$ 1,893,063	\$ 1,585,865
Access to Justice Project	30,500	3,000
Judicial Selection Project	192,818	140,250
Klagsbrun Fellowship	-	49,440
Dorot Fellowship	39,937	53,490
California office – general support	380,208	350,747
Hiles Fellowship	31,750	-
Time restriction	5,000	5,000
Total	<u>\$ 2,573,276</u>	<u>\$ 2,187,792</u>

Note 7. Retirement Plan

The Alliance maintains a 401(k) profit-sharing plan for all eligible employees. Employees may elect to contribute in accordance with Internal Revenue Service regulations. Although the Alliance is not required to make contributions, it is the Alliance's practice to make contributions up to 5% of compensation for each eligible participant. For the years ended December 31, 2012 and 2011, the Alliance's contribution to the plan amounted to \$99,183 and \$88,822, respectively. The Alliance also maintains a 403(b) plan, which is closed to new participants. During 2009 the Alliance ceased employee contributions to the 403(b) plan.

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Note 8. Operating Leases, Deferred Rent and Deferred Lease Incentive

The Alliance leases office space in the District of Columbia under a non-cancelable agreement which originally expired in August 2010. During 2010 this lease was amended to include the following terms:

- The lease term was extended for one hundred twenty-four (124) months
- Rent was abated for the months of September through December 2010
- The security deposit was amended to \$49,797 from \$57,333.
- The landlord provided the Alliance with an improvement allowance (the allowance) not to exceed \$343,425 to be used for the Alliance's costs of designing and constructing tenant improvements. Up to \$41,211 of this allowance could be used to purchase furniture and fixtures. Additionally, if the allowance was not used for designing and constructing tenant improvements and/or for the purchase of furniture and fixtures up to \$68,685 of the allowance could be applied to annual rent.

Rent expense under this lease will be recognized over the life of the lease on a straight line basis. Straight-line rent expense over the life of the lease will be \$643,481 for each of the years 2013 through 2020. During 2012 and 2011 the variance between the straight line rent expense and the rent paid/abated was recorded as deferred rent at December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Alliance has incurred \$343,425 of tenant improvements which qualify for the improvement allowance. This amount is recorded as leasehold improvements and deferred rent incentive in the statement of financial position. The leasehold improvements will be amortized over the life of the lease on a straight-line basis. The deferred rent incentive will be amortized against rent expense over the life of the lease on a straight line basis. For the years ended December 31, 2012 and 2011, \$33,238 has been recorded as amortization of the leasehold improvements and is included in depreciation expense. The deferred lease incentive has been amortized to rent expense in the amount of \$33,238 for each of the years ended December 31, 2012 and 2011.

The Alliance also leases office space in California under a non-cancelable agreement expiring in 2013.

Minimum lease payments are as follows for future years ending December 31,

2013	\$ 671,155
2014	638,450
2015	654,889
2016	675,403
2017	688,940
Thereafter	<u>2,150,584</u>
Total	<u>\$ 5,479,421</u>

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Note 8. Operating Leases, Deferred Rent and Deferred Lease Incentive (Concluded)

The Alliance has entered into non-cancelable agreements to sublease a portion of the District of Columbia office space to unrelated third parties for varying periods ending in 2015. The revenue is reported as a reduction of rent expense in the accompanying financial statements. Sub-lease income was \$124,972 and \$79,354, for the years ended December 31, 2012 and 2011, respectively. Minimum sublease income is anticipated to be as follows for the years ending: 2013 - \$161,224; 2014 - \$157,883; and 2015 - \$105,429.

Following is a summary of rental expense net of sublease income:

	2012	2011
Rent expense	\$ 671,806	\$ 668,084
Less: sublease income	(124,972)	(79,354)
Net Rent Expense	\$ 546,834	\$ 588,730

Note 9. Concentrations

Credit risk

The Alliance maintains cash balances in national financial institutions. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Alliance consistently maintains cash balances in excess of the FDIC insurable amount.

Major contributors

Five donors contributed 36% of the Alliance's revenue for 2012. As of December 31, 2012, there was \$958,000 recorded as receivable from these donors.

One donor contributed 26% of the Alliance's revenue in 2011. Of the total contributed by this donor approximately \$500,000 was paid as of December 31, 2011, and there was \$503,872 recorded as receivable from this donor which was received in 2012.

Note 10. Related Party Transactions

The Alliance is affiliated with the Alliance for Justice Action Campaign (the "Campaign"), a 501(c)(4) organization incorporated in 2001. The Campaign shares office facilities with the Alliance. During the years ended December 31, 2012 and 2011, the Alliance charged the Campaign for administrative and payroll costs totaling \$62,835 and \$666, respectively. At December 31, 2012 and 2011, the Campaign owed the Alliance \$49,828 and \$4,132 for shared office expenses, respectively. These amounts are included in "Due from Affiliate" in the accompanying financial statements.

The President of the Alliance is on the Board of Directors of Voters Alliance to Improve Democracy (Vote AID), an affiliated 501(c)(3) organization which was established in 2006. In prior years the Alliance funded the start-up expenses of the operation, which amounted to \$26,778. No such amounts are outstanding as of December 31, 2012 or 2011. There no amounts due from Vote Aid at December 31, 2012 or 2011.

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Note 11. Non-cash Transactions

During 2012 and 2011 the Alliance received donations of stock valued at approximately \$502,000 and \$515,000, respectively. All of the donated stock was subsequently sold by the Alliance.

Note 12. Subsequent Events

The Alliance has evaluated events through June 19, 2013, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2012, that would have a material impact on the Alliance's results of operations or financial position as of December 31, 2012.