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**ALLIANCE FOR JUSTICE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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**MATTHEWS, CARTER & BOYCE**  
RESPECT. CONFIDENCE. TRUST.

**Independent Auditors' Report**

Board of Directors  
Alliance for Justice  
Washington, D.C.

We have audited the accompanying financial statements of the Alliance for Justice (the Alliance), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 of 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 auditors consider 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 Alliance for Justice as of December 31, 2013 and 2012, 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.

Fairfax, Virginia  
July 8, 2014

**ALLIANCE FOR JUSTICE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 714,467	\$ 939,268
Accounts receivable, net of allowance for doubtful accounts of \$2,852 and \$6,061 in 2013 and 2012, respectively	42,676	14,812
Contributions receivable	45,153	21,834
Grants receivable	1,595,122	1,239,665
Due from affiliates	15,804	49,828
Prepaid expenses	105,134	81,800
Total Current Assets	\$ 2,518,356	\$ 2,347,207
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and fixtures	\$ 55,711	\$ 48,716
Equipment	140,970	94,519
Software	93,371	93,371
Leasehold improvements	361,961	360,691
Total Cost	\$ 652,013	\$ 597,297
Less accumulated depreciation	(267,587)	(270,327)
Net Property and Equipment	\$ 384,426	\$ 326,970
<b>OTHER ASSETS</b>		
Investments	\$ 3,614,875	\$ 2,740,488
Deposits	8,996	3,772
Total Other Assets	\$ 3,623,871	\$ 2,744,260
<b>TOTAL ASSETS</b>	<b>\$ 6,526,653</b>	<b>\$ 5,418,437</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 280,558	\$ 78,519
Accrued leave payable	68,462	83,472
Deferred lease incentive	33,238	0
Deferred revenue	1,475	5,000
Total Current Liabilities	\$ 383,733	\$ 166,991
<b>OTHER LIABILITIES</b>		
Deferred rent	303,903	286,325
Deferred lease incentive, net of current portion	202,208	268,684
Tenant security deposits	11,000	11,000
Total Liabilities	\$ 900,844	\$ 733,000
<b>NET ASSETS</b>		
Unrestricted net assets	\$ 2,617,677	\$ 2,491,776
Temporarily restricted net assets	3,008,132	2,193,661
Total Net Assets	\$ 5,625,809	\$ 4,685,437
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,526,653</b>	<b>\$ 5,418,437</b>

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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Grant revenue	\$ 767,000	\$ 2,985,000	\$ 3,752,000	\$ 438,600	\$ 2,462,900	\$ 2,901,500
Contributions	491,498	-	491,498	617,543	-	617,543
Events	685,477	-	685,477	219,519	-	219,519
Less event direct expenses	(158,925)	-	(158,925)	(60,055)	-	(60,055)
Publication sales	1,589	-	1,589	7,558	-	7,558
Membership dues	81,500	-	81,500	69,000	-	69,000
Other revenue	92,494	-	92,494	143,107	-	143,107
Net assets released from restriction due to satisfaction of program or time restrictions	2,170,529	(2,170,529)	-	2,573,276	(2,573,276)	-
Total Revenue and Support	\$ 4,131,162	\$ 814,471	\$ 4,945,633	\$ 4,008,548	\$ (110,376)	\$ 3,898,172
<b>INVESTMENT ACTIVITY</b>						
Interest and dividend income	\$ 22,021	\$ -	\$ 22,021	\$ 62,223	\$ -	\$ 62,223
Realized gain (loss) on investments and assets	155,470	-	155,470	(5,745)	-	(5,745)
Unrealized gain (loss) on investments	120,728	-	120,728	147,872	-	147,872
Total Investment Activity	\$ 298,219	\$ -	\$ 298,219	\$ 204,350	\$ -	\$ 204,350
Total Revenue, Support and Investment Activity	\$ 4,429,381	\$ 814,471	\$ 5,243,852	\$ 4,212,898	\$ (110,376)	\$ 4,102,522

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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES</b>						
Program services:						
Bolder Advocacy/Non-Profit Advocacy Project	\$ 1,946,790	\$ -	\$ 1,946,790	\$ 2,255,148	\$ -	\$ 2,255,148
Judicial Selection Project	1,361,030	-	1,361,030	1,145,394	-	1,145,394
Access to Justice	151,235	-	151,235	166,095	-	166,095
Fellows Program	187,590	-	187,590	171,097	-	171,097
Total Program Services	<u>\$ 3,646,645</u>	<u>\$ -</u>	<u>\$ 3,646,645</u>	<u>\$ 3,737,734</u>	<u>\$ -</u>	<u>\$ 3,737,734</u>
Supporting services:						
Fundraising	\$ 286,157	\$ -	\$ 286,157	\$ 194,999	\$ -	\$ 194,999
Management and administrative	370,678	-	370,678	221,692	-	221,692
Total Supporting Services	<u>\$ 656,835</u>	<u>\$ -</u>	<u>\$ 656,835</u>	<u>\$ 416,691</u>	<u>\$ -</u>	<u>\$ 416,691</u>
Total Expenses	<u>\$ 4,303,480</u>	<u>\$ -</u>	<u>\$ 4,303,480</u>	<u>\$ 4,154,425</u>	<u>\$ -</u>	<u>\$ 4,154,425</u>
<b>CHANGE IN NET ASSETS</b>	\$ 125,901	\$ 814,471	\$ 940,372	\$ 58,473	\$ (110,376)	\$ (51,903)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,491,776</u>	<u>2,193,661</u>	<u>4,685,437</u>	<u>2,433,303</u>	<u>2,304,037</u>	<u>4,737,340</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,617,677</u>	<u>\$ 3,008,132</u>	<u>\$ 5,625,809</u>	<u>\$ 2,491,776</u>	<u>\$ 2,193,661</u>	<u>\$ 4,685,437</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 940,372	\$ (51,903)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	\$ 76,867	\$ 62,675
Provision for bad debt	(3,209)	6,561
Unrealized gain on investments	(120,728)	(147,872)
Amortization of deferred lease incentive	(33,238)	(33,238)
Change in assets and liabilities		
(Increase) Decrease in Assets:		
Accounts receivable	(24,655)	23,732
Contributions receivable	(23,319)	(3,131)
Grants receivable	(355,457)	(485,793)
Prepaid expenses	(23,335)	23,090
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	202,039	16,172
Accrued leave payable	(15,010)	1,862
Deferred rent	17,578	29,894
Deferred revenue	(3,525)	1,507
	<u>\$ (305,992)</u>	<u>\$ (504,541)</u>
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	<u>\$ 634,380</u>	<u>\$ (556,444)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of property and equipment	\$ (134,437)	\$ (29,484)
Change in due to/from affiliate	34,024	(45,696)
Investment earnings re-invested	(21,890)	(62,223)
Purchase of investments	(2,504,519)	(522,015)
Sales of investments	1,767,641	521,690
	<u>\$ (859,181)</u>	<u>\$ (137,728)</u>
Net Cash Used by Investing Activities		
<b>NET (DECREASE) INCREASE IN CASH</b>	\$ (224,801)	\$ (694,172)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>939,268</u>	<u>1,633,440</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 714,467</u>	<u>\$ 939,268</u>

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

# ALLIANCE FOR JUSTICE

## STATEMENT OF FUNCTIONAL EXPENSES

### FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Bolder Advocacy	Judicial Selection	Access to Justice	Fellows		Fundraising	Management and Administrative	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 1,393,516	\$ 834,126	\$ 113,627	\$ 139,841	\$ 2,481,110	\$ 127,797	\$ 106,419	\$ 234,216	\$ 2,715,326
Accounting and bookkeeping	3,573	3,236	247	511	7,567	422	24,727	25,149	32,716
Advertising and public relations	914	2,150	-	-	3,064	-	965	965	4,029
Bad debts	-	-	-	-	-	-	6,352	6,352	6,352
Bank charges	-	-	-	-	-	-	8,727	8,727	8,727
Books and periodicals	16,924	13,385	15	37	30,361	5,984	2,745	8,729	39,090
Consultants	30,393	30,220	-	-	60,613	83,501	76,102	159,603	220,216
Depreciation	34,537	28,148	3,185	4,753	70,623	4,223	2,021	6,244	76,867
Dues and licenses	1,865	760	-	-	2,625	1,685	5,118	6,803	9,428
Equipment rental	10,304	3,945	650	561	15,460	631	1,427	2,058	17,518
Insurance	10,466	8,701	1,100	1,480	21,747	1,234	726	1,960	23,707
Internet fees	41,129	24,532	1,775	4,018	71,454	12,124	35,851	47,975	119,429
Internship	11,825	22,210	-	-	34,035	3,600	12,120	15,720	49,755
Investment Fees	-	-	-	-	-	-	16,938	16,938	16,938
Legal fees	3,645	-	-	-	3,645	-	8,150	8,150	11,795
Meetings and conferences	12,806	15,222	113	-	28,141	124	20,257	20,381	48,522
Miscellaneous	28	3,246	-	-	3,274	-	3,541	3,541	6,815
Office supplies	11,780	7,369	919	1,211	21,279	1,081	3,076	4,157	25,436
Postage and delivery	2,227	2,441	114	139	4,921	1,923	2,078	4,001	8,922
Printing and copying	10,959	15,785	96	172	27,012	8,698	7,329	16,027	43,039
Professional fees	21,500	2,500	-	-	24,000	-	5,300	5,300	29,300
Rent and utilities	246,381	178,674	23,132	29,202	477,389	25,857	2,810	28,667	506,056
Repairs and maintenance	37,177	27,351	3,484	4,566	72,578	3,931	3,028	6,959	79,537
Staff development	-	2,380	-	-	2,380	-	-	-	2,380
Telephone	13,872	6,976	951	1,099	22,898	1,058	1,875	2,933	25,831
Travel	30,969	20,673	1,827	-	53,469	2,284	12,996	15,280	68,749
Video production	-	107,000	-	-	107,000	-	-	-	107,000
<b>Total Expenses</b>	<b>\$ 1,946,790</b>	<b>\$ 1,361,030</b>	<b>\$ 151,235</b>	<b>\$ 187,590</b>	<b>\$ 3,646,645</b>	<b>\$ 286,157</b>	<b>\$ 370,678</b>	<b>\$ 656,835</b>	<b>\$ 4,303,480</b>

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				Total Program Services	Supporting Services			Total Expenses
	Non-Profit Advocacy	Judicial Selection	Access to Justice	Fellows		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
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	-	5,160	5,160	5,248
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
<b>Total Expenses</b>	<b>\$ 2,255,148</b>	<b>\$ 1,145,394</b>	<b>\$ 166,095</b>	<b>\$ 171,097</b>	<b>\$ 3,737,734</b>	<b>\$ 194,999</b>	<b>\$ 221,692</b>	<b>\$ 416,691</b>	<b>\$ 4,154,425</b>

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

**ALLIANCE FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 1. Organization and Programs**

**Organization**

The Alliance for Justice (the "Alliance", "AFJ") 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 – an 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, 2013 AND 2012**

**Note 2. Summary of Significant Accounting Policies**

**Basis of presentation**

Financial statement presentation adheres to the requirements of the Financial Accounting Standards Board (FASB) ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASC 958-205, 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 FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Under the guidelines of FASB ASC 958-605, 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 record 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, 2013 and 2012 is \$2,852 and \$6,061, respectively. No interest is accrued on receivables.

**ALLIANCE FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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, 2013 AND 2012**

**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 2013 or 2012. Accordingly, no provision for income tax is made in the accompanying financial statements.

The Alliance has adopted FASB ASC 740, *Income Taxes*, which 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 2013, 2012 and 2011 tax returns are open and subject to examination. The Alliance is not currently under audit by any taxing jurisdiction.

**Presentation**

Changes have been made to the presentation of the 2012 financial statements to conform to the 2013 presentation.

**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 \$2,852 and \$6,061 are included in the accompanying financial statements for the years ended December 31, 2013 and 2012, respectively.

**ALLIANCE FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 4. Investments**

The Alliance adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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 that are quoted in an active market
- Level 2 – Inputs to the valuation methodology that 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 valued 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 and return levels to meet its financial goals.

Investments consist of the following:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
Closed end funds	\$ 1,786,828	\$ 1,805,989	\$ 1,899,399	\$ 1,836,036
500 Index fund	-	-	840,102	801,178
Equity securities	<u>1,828,047</u>	<u>1,623,999</u>	<u>987</u>	<u>276</u>
Total	<u>\$ 3,614,875</u>	<u>\$ 3,429,988</u>	<u>\$ 2,740,488</u>	<u>\$ 2,637,490</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.

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**Note 5. Temporarily Restricted Net Assets**

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

	<u>2013</u>	<u>2012</u>
Bolder Advocacy/The Non Profit Advocacy Project/Foundation Advocacy Initiative	\$ 2,559,643	\$ 1,503,071
Judicial Selection Project	156,499	130,932
Klagsbrun Fellowship	30,000	32,500
Dorot Fellowship	46,574	32,367
California office – general support	<u>215,416</u>	<u>494,791</u>
Total	<u>\$ 3,008,132</u>	<u>\$ 2,193,661</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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Bolder Advocacy/The Non Profit Advocacy Project/Foundation Advocacy Initiative	\$ 1,548,428	\$ 1,893,063
Access to Justice Project	-	30,500
Judicial Selection Project	189,434	192,818
Klagsbrun Fellowship	32,500	-
Dorot Fellowship	85,792	39,937
California office – general support	309,375	380,208
Hiles Fellowship	-	31,750
Time restriction	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 2,170,529</u>	<u>\$ 2,573,276</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, 2013 and 2012, the Alliance's contribution to the plan amounted to \$95,953 and \$99,183, respectively.

The Alliance maintained a 403(b) plan. During 2009 the Alliance ceased employer contributions to the 403(b) plan and the plan was terminated.

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**Note 8. Deferred Compensation**

During 2013, the Alliance established a Section 457(f) Nonqualified Deferred Compensation Plan (the Plan). For the year ended December 31, 2013 the required contribution to the Plan was \$175,000. An additional \$175,000 is to be contributed to the plan during 2014. The 2013 amount had not been paid as of December 31, 2013 and is included in accounts payable.

**Note 9. 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 2013 and 2012 the variance between the straight-line rent expense and the rent paid/abated was recorded as deferred rent at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the Alliance has incurred \$343,425 of tenant improvements which qualify for the improvement allowance. This amount is recorded as leasehold improvements and deferred lease 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 lease incentive will be amortized against rent expense over the life of the lease on a straight-line basis. For the years ended December 31, 2013 and 2012, \$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, 2013 and 2012.

The Alliance also leases office space in California under a non-cancelable agreement expiring in March 2019. The lease has an option for an additional five year term. The lease requires a monthly payment for the estimated annual increase in real estate taxes and operating expenses.

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

2014	\$ 701,138
2015	719,457
2016	741,909
2017	757,441
2018	773,263
Thereafter	<u>1,520,552</u>
Total	<u>\$ 5,213,760</u>



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**Note 9. 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 \$175,266 and \$124,972, for the years ended December 31, 2013 and 2012, respectively. Minimum sublease income is anticipated to be as follows for the years ending: 2014 - \$171,015; and 2015 - \$117,229.

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

	2013	2012
Rent expense	\$ 681,323	\$ 671,806
Less: sublease income	(175,266)	(124,972)
Net Rent Expense	\$ 506,057	\$ 546,834

**Note 10. 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

Three donors contributed 48% of the Alliance's revenue for 2013. As of December 31, 2013, there was \$1,402,304 recorded as receivable from these donors.

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.

**Note 11. 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, 2013 and 2012, the Alliance charged the Campaign for administrative and payroll costs totaling \$15,861 and \$62,835, respectively. At December 31, 2013 and 2012, the Campaign owed the Alliance \$15,804 and \$49,828 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, 2013 or 2012. There are no amounts due from Vote Aid at December 31, 2013 or 2012. Vote Aid has been terminated as an active organization effective January 2014.

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**Note 12. Non-cash Transactions**

During 2013 and 2012 the Alliance received donations of stock valued at approximately \$560,000 and \$502,000, respectively. All of the donated stock was subsequently sold by the Alliance.

**Note 13. Subsequent Events**

The Alliance has evaluated events through July 8, 2014, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2013, that would have a material impact on the Alliance's results of operations or financial position as of December 31, 2013.