

**NATIONAL CENTER FOR LAW
AND ECONOMIC JUSTICE, INC.**

**Financial Statements
for year ended
December 31, 2015**

Independent Auditor's Report

The Board of Directors
National Center for Law and Economic Justice, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of the National Center for Law and Economic Justice, Inc., (the "Center") which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses 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.

Auditor's 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 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 on the previous page present fairly, in all material respects, the financial position of National Center for Law and Economic Justice, Inc. as of December 31, 2015 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2014 financial statements, and in our report dated March 19, 2015, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara Mc Ginty & Donnelly LLP

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Financial Position

Assets

	December 31	
	2015	2014
Current assets		
Cash and cash equivalents	\$ 145,593	\$ 358,951
Investments, at fair value	1,238,759	1,618,072
Contributions and grants receivable	219,558	303,668
Accounts receivable	733,901	1,217
Prepaid expenses	58,558	51,790
Total current assets	<u>2,396,369</u>	<u>2,333,698</u>
Property and equipment		
Leasehold improvements	82,217	82,217
Furniture, fixtures and equipment	63,636	63,636
Total property and equipment	145,853	145,853
Less: accumulated depreciation and amortization	126,621	116,431
Net property and equipment	<u>19,232</u>	<u>29,422</u>
Total assets	<u>\$2,415,601</u>	<u>\$2,363,120</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 132,287	\$ 79,060
Net assets		
Unrestricted		
Operating fund	314,901	314,901
Stabilization fund	1,408,931	1,266,346
Lease security fund	92,202	92,202
Total unrestricted	<u>1,816,034</u>	<u>1,673,449</u>
Temporarily restricted		
Paul M. Dodyk Fellowship Fund	96,970	144,166
The Freedman Fund for Due Process	326,560	317,695
Other	43,750	148,750
Total temporarily restricted	<u>467,280</u>	<u>610,611</u>
Total net assets	<u>2,283,314</u>	<u>2,284,060</u>
Total liabilities and net assets	<u>\$2,415,601</u>	<u>\$2,363,120</u>

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Activities
For Year Ended December 31, 2015
(with Summarized Comparative Information for the Year Ended December 31, 2014)

	2015				2014	
	Operating Fund	Stabilization Fund	Unrestricted Lease Security Fund	Total Unrestricted	Temporarily Restricted	Total
Public support and revenue						
Public support						
Contributions						
Paul M. Dodyk Fellowship Fund	\$ -	\$ -	\$ -	\$ -	\$ 32,650	\$ 4,200
The Freedman Fund for Due Process	-	-	-	-	8,642	317,359
Other	193,719	-	-	193,719	-	290,182
Grants	339,817	-	-	339,817	43,750	371,500
Special events, net of direct costs of \$121,591 in 2015 and \$121,284 in 2014	647,733	-	-	647,733	-	851,246
Donated services and materials	97,270	-	-	97,270	-	171,450
Net assets released from restrictions	228,750	-	-	228,750	(228,750)	-
Total public support	1,507,289	-	-	1,507,289	(143,708)	2,005,937
Revenue						
Attorney fees	736,592	-	-	736,592	-	458,195
Interest income and other	3,187	-	-	3,187	377	6,357
Total revenue	739,779	-	-	739,779	377	464,552
Total public support and revenue	2,247,068	-	-	2,247,068	(143,331)	2,470,489
Expenses						
Program services						
IOLA	35,000	-	-	35,000	-	35,000
NY Community Trust	60,000	-	-	60,000	-	60,000
Other program services	1,432,147	-	-	1,432,147	-	1,345,774
Total program services	1,527,147	-	-	1,527,147	-	1,440,774
Management and general	259,286	-	-	259,286	-	283,941
Fund-raising	318,050	-	-	318,050	-	241,355
Total expenses	2,104,483	-	-	2,104,483	-	1,966,070
Increase (decrease) in net assets before interfund transfer	142,585	-	-	142,585	(143,331)	504,419
Interfund transfer	(142,585)	142,585	-	-	-	-
Increase (decrease) in net assets	-	142,585	-	142,585	(143,331)	504,419
Net assets, beginning of year	314,901	1,266,346	92,202	1,673,449	610,611	1,779,641
Net assets, end of year	\$ 314,901	\$ 1,408,931	\$ 92,202	\$ 1,816,034	\$ 467,280	\$ 2,284,060

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Functional Expenses
For Year Ended December 31, 2015
(with Summarized Comparative Information for the year ended December 31, 2014)

	2015					2014	
	Program Services		Total Program Services	Management and General	Fund-raising	Total	Total
	IOLA	NY Community Trust	Other Program Services				
Professional salaries	\$ 20,500	\$ 30,947	\$ 757,835	\$ 809,282	\$ 126,469	\$ 174,199	\$ 958,428
Support staff salaries	2,000	3,158	90,104	95,262	14,775	19,907	116,773
Donated services	-	-	93,008	93,008	1,815	2,447	171,450
Employee benefits and payroll taxes	5,500	7,579	202,550	215,629	33,516	45,455	266,115
Total salaries and related expenses	28,000	41,684	1,143,497	1,213,181	176,575	242,008	1,631,764
Rent and other occupancy costs	5,000	12,000	197,004	214,004	33,191	44,722	287,754
Equipment rental and maintenance	-	631	6,854	7,485	1,161	1,564	10,801
Office supplies	1,000	947	6,793	8,740	6,609	7,802	34,676
Postage and messengers	-	316	1,049	1,365	217	1,589	2,973
Printing and duplication	-	-	2,228	2,228	136	2,901	5,265
Staff and board travel	500	-	8,162	8,662	14,632	107	23,401
Staff training	-	-	824	824	-	1,850	2,550
Telephone	-	316	9,113	9,429	1,323	4,159	15,963
Library maintenance	-	474	11,879	12,353	11	135	11,026
Audit fees	-	-	-	-	13,700	-	13,500
Insurance	-	474	4,189	4,663	2,448	454	7,530
Dues and subscriptions	-	-	1,450	1,450	418	507	3,004
Contract services	-	3,158	13,791	16,949	7,600	3,542	28,091
Litigation	500	-	17,161	17,661	-	-	13,574
Other events	-	-	178	178	28	4,447	4,868
Transition	-	-	505	505	78	106	175
The Freedman Fund for Due Process	-	-	-	-	-	-	4,545
Paul M. Dodyk fellowship campaign	-	-	-	-	-	596	715
Depreciation	-	-	7,470	7,470	1,159	1,561	8,964
Total Non-Personnel	7,000	18,316	288,650	313,966	82,711	76,042	453,304
Totals	\$ 35,000	\$ 60,000	\$1,432,147	\$1,527,147	\$ 259,286	\$ 318,050	\$1,966,070

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Cash Flows

	Year Ended	
	December 31	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (746)	\$ 504,419
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,190	8,964
(Increase) decrease in current assets		
Contributions and grants receivable	84,110	(52,341)
Accounts receivable	(732,684)	323,560
Prepaid expenses	(6,768)	17,259
Increase (decrease) in accounts payable and accrued expenses	<u>53,227</u>	<u>(13,879)</u>
Net cash provided by (used in) operating activities	(592,671)	787,982
 Cash flows from investing activities		
(Increase) decrease in investments – net	379,313	(854,506)
 Cash flows (used in) financing activities		
Purchase of property and equipment	<u>-</u>	<u>(14,767)</u>
 Net (decrease) in cash and cash equivalents	 (213,358)	 (81,291)
 Cash and cash equivalents, beginning of year	 <u>358,951</u>	 <u>440,242</u>
Cash and cash equivalents, end of year	<u>\$ 145,593</u>	<u>\$ 358,951</u>

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Notes to Financial Statements December 31, 2015

Note 1 – Organization and purpose and summary of significant accounting policies

The National Center for Law and Economic Justice, Inc. (the “Center”) was founded in 1965 and subsequently incorporated under the Not-for-Profit Corporation Law of the State of New York. The Center uses its special expertise in income support programs to promote the creation, maintenance, strengthening and fair administration of such programs and, as appropriate, to address other publicly supported means of improving low-income people’s circumstances.

Financial reporting

The financial statements of the Center are maintained on an accrual basis of accounting. The assets of the Center less the liabilities represent the net assets which are reported in two classes as follows:

Unrestricted

Operating fund

The operating fund is used to account for the general activities of the Center.

Stabilization fund

During 2000, the Board of Directors (the “Board”) authorized the establishment of the Stabilization fund. In connection therewith, the Board also authorized a transfer of \$300,000 into the newly established fund. Funds for the Stabilization fund come from a portion of the attorney fees generated by the Center, as determined by the Board. In 2012, the Board determined that the Stabilization fund should be credited with the lesser of either (1) 50% of legal fees actually received and appropriately accrued or (2) the amount that would be remaining after application of such fees to any operating deficit that would otherwise result. Accordingly, at the end of 2015, \$142,585 was transferred from the operating fund to the Stabilization fund.

The net assets of the Fund can be used at the discretion of the Board.

Lease security fund

The lease security fund is used to account for the certificate of deposit held by the Center for the lease.

Temporarily restricted

Temporarily restricted net assets consist of grants and contributions that are restricted by the donor for a specific purpose or relate to future periods. Once that specific purpose has been met or time restriction expires, the funds are released from their restriction.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.**Notes to Financial Statements (continued)
December 31, 2015****Note 1 – Organization and purpose and summary of significant accounting policies (continued)****Functional allocation expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain common costs have been allocated among the programs and supporting services benefited.

Donated services

The Center receives services from law students volunteering their time and law firms loaning their employees to the Center. The fair market value of these volunteered and donated professional services has been included in the statement of activities as both revenue and salary and related expenses.

Cash and cash equivalents

Cash and cash equivalents consist of checking accounts, a money market fund and a certificate of deposit

Allowance for doubtful accounts

The Center considers all contributions, grants and accounts receivable to be collectible, and accordingly, does not have an allowance for doubtful accounts. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Investments

Investments are recorded at fair value.

Fair value measurements

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Center's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Property and equipment

Property and equipment are recorded at cost. Depreciation has been provided in the financial statements utilizing the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are being amortized over the term of the lease.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.**Notes to Financial Statements (continued)
December 31, 2015****Note 1 – Summary of significant accounting policies (continued)**Concentrations of credit risk

The Center's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. The Center places its cash and cash equivalents with what it believes to be quality financial institutions. Investments consist of money market funds and corporate bonds. Accounts receivable are reviewed on an ongoing basis. The Center believes no material concentrations of credit risk exist with respect to its cash and cash equivalents and accounts receivable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as the collectability of accounts receivable and estimates of accrued expenses, which affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications

Certain items in the 2014 financial statement have been reclassified for comparative purposes only.

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through March 9, 2016, which is the date the financial statements were available to be issued.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

**Notes to Financial Statements (continued)
December 31, 2015**

Note 2 – Investments

Investments at December 31, 2015 and December 31, 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 1,133,914	\$ 641,896
Certificates of deposit	-	816,488
Corporate bonds	<u>104,845</u>	<u>159,688</u>
Total	<u>\$ 1,238,759</u>	<u>\$ 1,618,072</u>

Note 3 – Grants, contributions and net assets released from restrictions

The Center reports grants and contributions as temporarily restricted public support if they are received with donor stipulations, which limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Center follows the New York State Not-for-Profit Corporation Law when adhering to donor-restricted contributions. The activity in the Center's donor-restricted contributions, which are temporarily restricted, for the year ended December 31, 2015 was as follows:

	Balance at December 31, <u>2014</u>	<u>Support</u>	Released from <u>Restrictions</u>	Balance at December 31, <u>2015</u>
Paul M. Dodyk Fellowship Fund	\$ 144,166	\$ 32,804	\$ (80,000)	\$ 96,970
The Freedman Fund for Due Process	317,695	8,865	-	326,560
NY Community Trust	60,000	-	(60,000)	-
Robert Sterling Clark Foundation	80,000	-	(80,000)	-
IOLA	<u>8,750</u>	<u>43,750</u>	<u>(8,750)</u>	<u>43,750</u>
Total	<u>\$ 610,611</u>	<u>\$ 85,419</u>	<u>\$ (228,750)</u>	<u>\$ 467,280</u>

Note 4 – Retirement plan

The Center has a 403(b) tax deferred annuity retirement plan (the "Plan") for all eligible employees. Eligible employees may defer a portion of their compensation not to exceed limits established by the Internal Revenue Code. The Center made contributions to the Plan at the rate 5% of a participant's compensation. As of March 2015, the rate was increased to 7.5%. Such contributions are vested 100% immediately for the benefit of the employee. The Center's contributions to the plan totaled \$67,865 and \$42,854 for the years ended December 31, 2015 and 2014, respectively.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

**Notes to Financial Statements (continued)
December 31, 2015**

Note 5 – Lease agreement

Effective January 2006, the Center entered into a ten-year, four-month lease agreement for office space. The base rental under the agreement, which expires May 2016, is \$17,528 per month.

During February 2016, the Center entered into an agreement to amend the lease to among other things extend the lease for a period of five years and two months. Commencing June 1, 2016, the amended lease which expires July 31, 2021, requires a base annual rental of \$262,920 increasing to \$284,593 during the final year of the lease. The Center will receive a two-month rent abatement at the commencement of the amended lease.

In addition to the base annual rental, the Center is required to pay its proportionate share of increases in certain operating costs of the landlord as outlined in the lease. In connection with the lease, in lieu of a cash deposit, the Center obtained an irrevocable standby letter of credit from a bank in favor of the landlord to be used in the event of default pursuant to the terms of the lease. Under the terms of the amended lease, the security deposit of \$92,202 will be reduced by \$26,472 to \$65,730. Occupancy costs for the years ended December 31, 2015 and 2014 totaled \$291,917 (including rent of \$267,648 and utility costs of \$24,269) and \$287,754 (including rent of \$262,854 and utility costs of \$24,900), respectively.

The following are the required future minimum annual rental payments under the amended lease:

<u>Year</u>	<u>Amount</u>
2016	\$ 197,190
2017	265,986
2018	271,305
2019	276,732
2020	282,268
2021	<u>166,013</u>
Total	<u>\$ 1,459,494</u>

Note 6 – Tax status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. The Center qualifies for the maximum charitable contribution deductions for donors.