

Minnesota Justice Foundation

Minneapolis, Minnesota

Financial Statements
Accountant's Report
For the Years Ended
August 31, 2019 and 2018



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Review Report

Board of Directors
Minnesota Justice Foundation
Minneapolis, Minnesota

We have reviewed the accompanying financial statements of Minnesota Justice Foundation, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United State of America.

Prior Period Financial Statements

The financial statements for the year ended August 31, 2018 were audited by us, and we expressed an unmodified opinion on them in our report dated January 31, 2019. We have not performed any auditing procedures since that date.

Carpenter, Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
February 26, 2020

MINNESOTA JUSTICE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019 (Reviewed)			2018 (Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 266,219	\$ 138,609	\$ 404,828	\$ 257,941	\$ 121,639	\$ 379,580
Grants from Governmental Agencies	110,000	-	110,000	110,000	-	110,000
Special Events	4,378	-	4,378	-	-	-
Investment Income	268	-	268	119	-	119
Other Income	64	-	64	500	-	500
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	105,009	(105,009)	-	112,639	(112,639)	-
Total Support and Revenue	485,938	33,600	519,538	481,199	9,000	490,199
Expense:						
Program Services	392,316	-	392,316	380,348	-	380,348
Support Services:						
Management and General Fundraising	59,567	-	59,567	57,810	-	57,810
Total Support Services	12,748	-	12,748	11,690	-	11,690
Total Expense	72,315	-	72,315	69,500	-	69,500
	464,631	-	464,631	449,848	-	449,848
Change in Net Assets	21,307	33,600	54,907	31,351	9,000	40,351
Net Assets - Beginning of Year	360,381	9,000	369,381	329,030	-	329,030
Net Assets - End of Year	\$ 381,688	\$ 42,600	\$ 424,288	\$ 360,381	\$ 9,000	\$ 369,381

The accompanying Notes to Financial Statements are an integral part of these statements.

MINNESOTA JUSTICE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019 (Reviewed)				2018
	Program Services	Management & General	Fund-raising	Total Support Services	(Audited) Total All Services
Salaries	\$ 200,907	\$ 30,536	\$ 6,175	\$ 36,711	\$ 232,553
Employee Benefits	23,292	3,540	715	4,255	31,145
Payroll Taxes	14,582	2,216	448	2,664	17,838
Total Personnel Costs	238,781	36,292	7,338	43,630	281,536
Clerk Stipends	103,240	-	-	-	103,240
Conferences and Meetings	16,634	3,014	1,164	4,178	19,537
Occupancy	13,444	2,043	413	2,456	15,899
Professional Fees	124	12,088	-	12,088	12,212
Supplies	6,936	2,139	2,325	4,464	11,400
Insurance	3,521	1,110	108	1,218	4,739
Postage and Shipping	1,651	1,238	1,238	2,476	4,127
Printing and Copying	2,738	152	152	304	3,042
Travel	2,460	350	-	350	2,810
Dues and Subscriptions	1,415	607	-	607	2,022
Parking	1,187	165	-	165	1,352
Miscellaneous	185	369	10	379	564
Total Expense	\$ 392,316	\$ 59,567	\$ 12,748	\$ 72,315	\$ 464,631
					\$ 449,848

The accompanying Notes to Financial Statements are an integral part of these statements.

MINNESOTA JUSTICE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2018 (AUDITED)

	Support Services				Total All Services
	Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 195,601	\$ 31,627	\$ 5,325	\$ 36,952	\$ 232,553
Employee Benefits	26,196	4,236	713	4,949	31,145
Payroll Taxes	15,004	2,426	408	2,834	17,838
Total Personnel Costs	236,801	38,289	6,446	44,735	281,536
Clerk Stipends	94,540	-	-	-	94,540
Conferences and Meetings	13,991	4,568	978	5,546	19,537
Occupancy	13,373	2,162	364	2,526	15,899
Professional Fees	85	7,068	-	7,068	7,153
Supplies	7,505	1,800	2,359	4,159	11,664
Insurance	2,889	1,019	79	1,098	3,987
Postage and Shipping	1,639	1,230	1,229	2,459	4,098
Printing and Copying	4,209	234	234	468	4,677
Travel	2,636	376	-	376	3,012
Dues and Subscriptions	1,630	698	-	698	2,328
Parking	1,032	143	-	143	1,175
Miscellaneous	18	223	1	224	242
Total Expense	\$ 380,348	\$ 57,810	\$ 11,690	\$ 69,500	\$ 449,848

The accompanying Notes to Financial Statements
are an integral part of these statements.

MINNESOTA JUSTICE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u> <u>(Reviewed)</u>	<u>2018</u> <u>(Audited)</u>
Current Assets:		
Cash and Cash Equivalents - Operations	\$ 317,996	\$ 299,030
Grants Receivable	42,600	9,167
Prepaid Expenses	6,217	5,952
Other Assets	2,758	6,057
Total Current Assets	<u>369,571</u>	<u>320,206</u>
Cash - Board Designated - Reserves	<u>60,000</u>	<u>60,000</u>
TOTAL ASSETS	<u>\$ 429,571</u>	<u>\$ 380,206</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accrued Expenses	\$ 2,525	\$ 4,768
Funds Held For Others	2,758	6,057
Total Current Liabilities	<u>5,283</u>	<u>10,825</u>
Net Assets:		
Without Donor Restrictions:		
Board Designated - Reserves	60,000	60,000
Undesignated	321,688	300,381
Total Without Donor Restrictions	<u>381,688</u>	<u>360,381</u>
With Donor Restrictions	<u>42,600</u>	<u>9,000</u>
Total Net Assets	<u>424,288</u>	<u>369,381</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 429,571</u>	<u>\$ 380,206</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MINNESOTA JUSTICE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u> <u>(Reviewed)</u>	<u>2018</u> <u>(Audited)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 54,907	\$ 40,351
Total Adjustments	<u>(35,941)</u>	<u>(123)</u>
Net Cash Provided by Operating Activities	18,966	40,228
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
None	-	-
Net Increase in Cash and Cash Equivalents	18,966	40,228
Cash and Cash Equivalents - Beginning of Year	<u>359,030</u>	<u>318,802</u>
Cash and Cash Equivalents - End of Year	<u>\$ 377,996</u>	<u>\$ 359,030</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MINNESOTA JUSTICE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies

Organizational Purpose

Minnesota Justice Foundation (the Organization) is a nonprofit, nonpartisan organization of law students and attorneys that educates and encourages its members and the legal community in their professional obligation to apply their skills and knowledge on behalf of the low-income, disadvantaged and unrepresented. The Organization links committed law students with attorneys to provide quality pro bono legal services, to encourage public service, to help shape public policy, and to promote social justice.

Fund Accounting

In order to observe the limitations and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Net Assets Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts.

Net Assets With Donor Restrictions – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Other Assets / Funds Held for Others

The Organization is a fiscal sponsor for several unincorporated student chapters. Only the cash held and the corresponding liability is recorded in the financial statements.

MINNESOTA JUSTICE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions are recorded in the period when received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Functional Allocation of Expense

Salaries and related expenses are allocated based on contemporaneous time records. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

MINNESOTA JUSTICE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended August 31, 2019 and 2018, as required.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through February 26, 2020, which is the date financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services primarily within Minnesota, but also to other locations throughout the United States. The amounts due are from local institutions.

3. Designated Net Assets

The Board of Directors made the following net assets designations as of:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
General Reserve	\$ 45,000	\$ 45,000
Operating Reserve	13,000	13,000
Fixed Asset Reserve	2,000	2,000
Total Board Designated- Reserves	<u>\$ 60,000</u>	<u>\$ 60,000</u>

4. Retirement Plan

The Organization pays 6% of eligible employees' salary into a Simplified Employee Pension Plan. Contributions to the plan were \$14,063 and \$13,755 for the years ended August 31, 2019 and 2018, respectively.

MINNESOTA JUSTICE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

5. In-kind Contributions

The Organization recorded in-kind contributions at fair market value at date of donation. In-kind contributions, which are included in Contributions on the Statements of Activities and Changes in Net Assets, included the following:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
Occupancy	\$ 15,900	\$ 15,899
Printing and Copying	3,042	4,677
Postage and Shipping	4,127	4,098
Travel	2,176	2,539
Supplies	454	1,551
Telephone	663	17
	<u>\$ 26,362</u>	<u>\$ 28,781</u>

The Organization received in-kind contributions primarily from three law schools in Minnesota.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
Future Operations	\$ 42,600	\$ -
Legal Clerk Program	-	9,000
	<u>\$ 42,600</u>	<u>\$ 9,000</u>

7. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities are as follows:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
Increases (Decreases) in Current Liabilities:		
Accrued Expenses	\$ (2,243)	\$ (123)
Funds Held For Others	(3,299)	1,498
Decreases (Increases) in Current Assets:		
Grants Receivable	(33,433)	-
Prepaid Expenses	(265)	-
Other Assets	3,299	(1,498)
Total Adjustments	<u>\$ (35,941)</u>	<u>\$ (123)</u>

MINNESOTA JUSTICE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

8. Concentrations

Contributions and grants from two grantors made up approximately 34% and 36% of the total support and revenue for the years ended August 31, 2019 and 2018, respectively.

9. Liquidity and Availability

The following represents the Organization's financial assets at August 31, 2019:

Financial Assets:

Cash and Cash Equivalents	\$ 377,996
Grants Receivable	<u>42,600</u>
Total Financial Assets	420,596

Less assets not available to be used within one year:

Net Assets with Donor Restrictions	42,600
Board Designated – Reserves	60,000
Net Assets with Restrictions to be met within a year	<u>(42,600)</u>
Total assets not available for general expenditures within one year:	<u>60,000</u>
Financial assets available for general expenditures within one year:	<u>\$ 360,596</u>

The Organization has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

The Organization also maintains a board designated- reserves of \$60,000 that is not considered available for use within one year. Although the Organization does not intend to spend from this board designated- reserves, these amounts could be made available if necessary.

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.