

# **Minnesota Justice Foundation**

Minneapolis, Minnesota

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Financial Statements  
Accountant's Report  
For the Years Ended  
August 31, 2020 and 2019



**CERTIFIED PUBLIC ACCOUNTANTS**

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Carpenter, Evert & Associates

Certified Public Accountants  
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435  
952.831.0085 [carpenterevert.com](http://carpenterevert.com)

### 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, 2020 and 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 engagements 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 reviews, 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.

*Carpenter, Evert & Associates, Ltd.*  
Certified Public Accountants

Minneapolis, Minnesota  
May 26, 2021

MINNESOTA JUSTICE FOUNDATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 275,677	\$ 75,931	\$ 351,608	\$ 266,219	\$ 138,609	\$ 404,828
Grants from Governmental Agencies	110,833	-	110,833	110,000	-	110,000
Special Events	40	-	40	4,378	-	4,378
Investment Income	501	-	501	268	-	268
Other Income	1,564	-	1,564	64	-	64
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	113,231	(113,231)	-	105,009	(105,009)	-
Total Support and Revenue	501,846	(37,300)	464,546	485,938	33,600	519,538
Expense:						
Program Services	406,561	-	406,561	392,316	-	392,316
Support Services:						
Management and General Fundraising	62,393	-	62,393	59,567	-	59,567
Total Support Services	13,281	-	13,281	12,748	-	12,748
Total Expense	75,674	-	75,674	72,315	-	72,315
	482,235	-	482,235	464,631	-	464,631
Change in Net Assets	19,611	(37,300)	(17,689)	21,307	33,600	54,907
Net Assets - Beginning of Year	381,688	42,600	424,288	360,381	9,000	369,381
Net Assets - End of Year	\$ 401,299	\$ 5,300	\$ 406,599	\$ 381,688	\$ 42,600	\$ 424,288

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 198,199	\$ 30,125	\$ 6,092	\$ 36,217	\$ 234,416	\$ 237,618
Employee Benefits	30,497	4,636	937	5,573	36,070	27,547
Payroll Taxes	14,696	2,234	452	2,686	17,382	17,246
Total Personnel Costs	243,392	36,995	7,481	44,476	287,868	282,411
Clerk Stipends	112,518	-	-	-	112,518	103,240
Supplies	10,387	2,944	2,866	5,810	16,197	11,400
Occupancy	13,444	2,043	413	2,456	15,900	15,900
Conferences and Meetings	13,242	1,483	929	2,412	15,654	20,812
Professional Fees	79	15,273	-	15,273	15,352	12,212
Insurance	3,512	1,143	108	1,251	4,763	4,739
Postage and Shipping	1,663	1,248	1,248	2,496	4,159	4,127
Printing and Copying	3,696	205	205	410	4,106	3,042
Dues and Subscriptions	1,573	675	-	675	2,248	2,022
Travel	1,946	277	-	277	2,223	2,810
Miscellaneous	562	31	31	62	624	564
Parking	547	76	-	76	623	1,352
Total Expense	\$ 406,561	\$ 62,393	\$ 13,281	\$ 75,674	\$ 482,235	\$ 464,631

The accompanying Notes to Financial Statements are an integral part of this statement.

MINNESOTA JUSTICE FOUNDATION  
 STATEMENT OF FUNCTIONAL EXPENSE  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Support Services				Total All Services
	Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 200,907	\$ 30,536	\$ 6,175	\$ 36,711	\$ 237,618
Employee Benefits	23,292	3,540	715	4,255	27,547
Payroll Taxes	14,582	2,216	448	2,664	17,246
Total Personnel Costs	238,781	36,292	7,338	43,630	282,411
Clerk Stipends	103,240	-	-	-	103,240
Supplies	6,936	2,139	2,325	4,464	11,400
Occupancy	13,444	2,043	413	2,456	15,900
Conferences and Meetings	16,634	3,014	1,164	4,178	20,812
Professional Fees	124	12,088	-	12,088	12,212
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
Dues and Subscriptions	1,415	607	-	607	2,022
Travel	2,460	350	-	350	2,810
Miscellaneous	185	369	10	379	564
Parking	1,187	165	-	165	1,352
Total Expense	\$ 392,316	\$ 59,567	\$ 12,748	\$ 72,315	\$ 464,631

The accompanying Notes to Financial Statements  
 are an integral part of this statement.

MINNESOTA JUSTICE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents - Operations	\$ 400,059	\$ 317,996
Grants Receivable	5,000	42,600
Prepaid Expenses	5,943	6,217
Other Assets	<u>2,367</u>	<u>2,758</u>
Total Current Assets	413,369	369,571
 Cash - Board Designated - Reserves	 <u>60,000</u>	 <u>60,000</u>
 TOTAL ASSETS	 <u><u>\$ 473,369</u></u>	 <u><u>\$ 429,571</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accrued Expenses	\$ 6,604	\$ 2,525
Funds Held For Others	2,366	2,758
Notes Payable- PPP Loan	<u>57,800</u>	<u>-</u>
Total Current Liabilities	66,770	5,283
 Net Assets:		
Without Donor Restrictions:		
Board Designated - Reserves	60,000	60,000
Undesignated	<u>341,299</u>	<u>321,688</u>
Total Without Donor Restrictions	401,299	381,688
 With Donor Restrictions	 <u>5,300</u>	 <u>42,600</u>
Total Net Assets	<u>406,599</u>	<u>424,288</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 473,369</u></u>	 <u><u>\$ 429,571</u></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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (17,689)	\$ 54,907
Total Adjustments	<u>41,952</u>	<u>(35,941)</u>
Net Cash Provided by Operating Activities	24,263	18,966
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
Proceeds from the Issuance of Notes Payable - PPP Loan	<u>57,800</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>57,800</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	82,063	18,966
Cash and Cash Equivalents - Beginning of Year	<u>377,996</u>	<u>359,030</u>
Cash and Cash Equivalents - End of Year	<u>\$ 460,059</u>	<u>\$ 377,996</u>

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



MINNESOTA JUSTICE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

1. Summary of Significant Accounting Policies

Organizational Purpose

Minnesota Justice Foundation (the Organization) is a nonprofit, nonpartisan organization of law students and attorneys educating and encouraging 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, 2020 AND 2019

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.

Revenue and Revenue Recognition

Special event income is equal to the fair value of the direct benefit to the donors and the contributions received related to the events.

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).

MINNESOTA JUSTICE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

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.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

The Organization has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued reviewed financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Both ASUs have been applied retrospectively for the periods ended August 31, 2020 and 2019, as required.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through May 26, 2021, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, the Organization expects this matter to negatively impact its future operating results, but reasonable estimates cannot be made at this time.

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.

MINNESOTA JUSTICE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

3. Designated Net Assets

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

	August 31,	
	2020	2019
General Reserve	\$ 45,000	\$ 45,000
Operating Reserve	13,000	13,000
Fixed Asset Reserve	2,000	2,000
Total Board Designated- Reserves	\$ 60,000	\$ 60,000

4. Retirement Plan

The Organization pays 6% of eligible employees' salary into a Simplified Employee Pension Plan. Contributions to the plan were \$9,841 and \$14,063 for the years ended August 31, 2020 and 2019, respectively.

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:

	August 31,	
	2020	2019
Occupancy	\$ 15,900	\$ 15,900
Postage and Shipping	4,156	4,127
Printing and Copying	4,106	3,042
Supplies	3,115	454
Travel	1,889	2,176
Technology Hosting Costs	25	-
Telephone	3	663
	\$ 29,194	\$ 26,362

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:

	August 31,	
	2020	2019
Future Operations	\$ 5,300	\$ 42,600

MINNESOTA JUSTICE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

7. Concentrations

Contributions and grants from two grantors made up approximately 38% and 34% of the total support and revenue for the years ended August 31, 2020 and 2019, respectively.

8. Liquidity and Availability

The following represents the Organization's financial assets at August 31, 2020:

	August 31,	
	2020	2019
Financial Assets:		
Cash and Cash Equivalents	\$ 460,059	\$ 377,996
Grants Receivable	5,000	42,600
Total Financial Assets	465,059	420,596
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	5,300	42,600
Board Designated – Reserves	60,000	60,000
Net Assets with Restrictions to be met within a year	(5,300)	(42,600)
Total assets not available for general expenditures within one year:	60,000	60,000
Financial assets available for general expenditures within one year:	\$ 405,059	360,596

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.

MINNESOTA JUSTICE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

9. 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>2020</u>	<u>2019</u>
Increases (Decreases) in Current Liabilities:		
Accrued Expenses	\$ 4,079	\$ (2,243)
Funds Held For Others	(392)	(3,299)
Decreases (Increases) in Current Assets:		
Grants Receivable	37,600	(33,433)
Prepaid Expenses	274	(265)
Other Assets	<u>391</u>	<u>3,299</u>
Total Adjustments	<u>\$ 41,952</u>	<u>\$ (35,941)</u>

10. Notes Payable- PPP Loan

On April 15, 2020, the Organization was granted a loan (the "Loan") from Bremer Bank in the aggregate amount of \$57,800, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated April 15, 2020 issued by the Borrower, matures on April 15, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 23, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the SBA.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In accordance with these Loan forgiveness terms, funds from the Loan were used by the Organization for payroll costs, group health care and retirement benefits.

The Organization has elected to carry the Loan as debt on its statement of financial position as of August 31, 2020 per FASB ASC 470. The Loan has been 100% forgiven on November 12, 2020.