

ADMINISTER JUSTICE

Financial Statements
With Independent Auditors' Report

December 30, 2021 and 2020

ADMINISTER JUSTICE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Administer Justice
Elgin, Illinois

Opinion

We have audited the accompanying financial statements of Administer Justice, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Administer Justice as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Administer Justice, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The December 31, 2020, financial statements of Administer Justice were audited by other auditors. In their report dated June 15, 2021, they expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administer Justice's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Administer Justice
Elgin, Illinois

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Administer Justice's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administer Justice's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Naperville, Illinois
August 17, 2022

ADMINISTER JUSTICE

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 204,217	\$ 335,315
Investments	2,605,523	291,888
Accounts receivable	-	138,603
Prepaid expenses and other assets	525	5,455
Furniture and equipment, net	7,150	1,723
Total assets	<u>\$ 2,817,415</u>	<u>\$ 772,984</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 7,146	\$ 2,176
Accrued expenses	32,470	14,327
Total liabilities	<u>39,616</u>	<u>16,503</u>
Net assets:		
Without donor restrictions	2,777,799	756,481
With donor restrictions	-	-
Total net assets	<u>2,777,799</u>	<u>756,481</u>
Total Liabilities and Net Assets	<u>\$ 2,817,415</u>	<u>\$ 772,984</u>

See notes to financial statements

ADMINISTER JUSTICE

Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,585,139	\$ -	\$ 2,585,139	\$ 695,567	\$ -	\$ 695,567
Grants	281,773	-	281,773	199,387	-	199,387
Forgiveness of Paycheck Protection Program (PPP)	125,209	-	125,209	99,300	-	99,300
Program service revenue	44,521	-	44,521	30,502	-	30,502
Contributed services	447,923	-	447,923	571,946	-	571,946
Memberships	5,648	-	5,648	9,212	-	9,212
Investment income	167,843	-	167,843	3,371	-	3,371
Loss on sale of building	-	-	-	(13,963)	-	(13,963)
Other income	-	-	-	1,642	-	1,642
	3,658,056	-	3,658,056	1,596,964	-	1,596,964
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	-	-	-	-	-	-
	-	-	-	-	-	-
EXPENSES:						
Program services	1,495,687	-	1,495,687	1,365,228	-	1,365,228
Supporting activities:						
General and administrative	114,394	-	114,394	57,888	-	57,888
Fundraising	26,657	-	26,657	22,829	-	22,829
	1,636,738	-	1,636,738	1,445,945	-	1,445,945
Total Expenses						
Change in Net Assets	2,021,318	-	2,021,318	151,019	-	151,019
Net Assets, Beginning of Year	756,481	-	756,481	605,462	-	605,462
Net Assets, End of Year	\$ 2,777,799	\$ -	\$ 2,777,799	\$ 756,481	\$ -	\$ 756,481

See notes to financial statements

ADMINISTER JUSTICE

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,021,318	\$ 151,019
Forgiveness of Paycheck Protection Program (PPP) loan	(125,209)	(99,300)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	713	1,069
Loss on disposal of equipment	-	13,963
Net realized and unrealized (gains) loss on investments	(127,858)	328
Change in accounts receivable	138,603	(138,603)
Change in prepaid expenses	4,930	(3,530)
Change in accounts payable and accrued expenses	23,113	16,503
Net Cash Provided (Used) by Operating Activities	1,935,610	(58,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,140)	-
Purchases of investment	(2,345,777)	(292,216)
Proceeds from sale of asset held for sale	-	186,037
Sale of investments	160,000	-
Net Cash Used by Investing Activities	(2,191,917)	(106,179)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of PPP proceeds	125,209	99,300
Net Cash Provided by Financing Activities	125,209	99,300
Net Change in Cash and Cash Equivalents	(131,098)	(65,430)
Cash and Cash Equivalents, Beginning of Year	335,315	400,745
Cash and Cash Equivalents, End of Year	\$ 204,217	\$ 335,315
SUPPLEMENTAL DISCLOSURES:		
Non cash forgiveness of debt	\$ 125,209	\$ 99,300

See notes to financial statements

ADMINISTER JUSTICE

Notes to Financial Statements

December 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

Administer Justice (the "Organization") was organized and incorporated as an Illinois nonprofit corporation whose purposes is to train and equip churches, attorneys, and individuals to establish and run legal aid centers designed to provide legal services to low income individuals. Administer Justice is supported primarily by contributions and grants from governmental, corporate and private sources.

Administer Justice is incorporated under the laws of the state of Illinois to operate as a charitable organization within Section 501(c)(3) of the U.S. Internal Revenue Code (Code). Administer Justice is exempt from federal and state income taxes and contributions are tax deductible within the limitations prescribed by the Code. Administer Justice has been classified as public organization that is not a private foundation under Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. 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 reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies followed are described below.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking accounts. These accounts may, at times, exceed federally insured limits. At December 31, 2021 and 2020, Administer Justice's cash balance did not exceed federally insured limits. Administer Justice has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances, less estimates made for doubtful accounts. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded when received. Management deemed no allowance necessary for the years ended December 31, 2021 and 2020.

FURNITURE AND EQUIPMENT, NET

Expenditures for property and equipment in excess of \$2,500 are capitalized at cost, or if donated, at fair market value on the date of the gift. Depreciation is computed on the straight-line method over their estimated useful lives of five to seven years.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets.

Net assets without donor restrictions are those available for operations at the discretion of the Board to be used to further the exempt purposes of Administer Justice and those invested in property and equipment.

Net assets with donor restrictions are funds which have been contributed with donor stipulations for specific operating purposes, and amounts for which timing restrictions related to pledges receivable have not been met. As of December 31, 2021 and 2020, there are no net assets with donor restrictions.

REVENUES AND EXPENSES

Contributions are recognized when made, which may be when cash is received, unconditional promises are received or contributed services are provided. Donated investments are recognized at the quoted market price (fair value) on the date of donation. Other revenue is recorded when earned and expenses are recorded when incurred in accordance with the accrual basis of accounting. At December 31, 2021 and 2020, the top two donors contributed approximately 77% and 20% of total donations, respectively. At December 31, 2021 and 2020, the Board of Directors also provided \$20,124 and \$25,490, respectively.

As part of the response to the impact of COVID-19, Administer Justice applied for a Paycheck Protection Program (PPP) loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. Administer Justice was approved for a loan in the amount of \$99,300 in May 2020 and for a second round loan in the amount of \$125,209 in January 2021. As of December 31, 2021 and 2020, the loans were forgiven and the full amount of the loans were recognized as contribution revenue.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on the amount of hours worked by employees related to each category. Expenses by natural classification and functional allocation are as follows for the year ended December 31, 2021:

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 505,806	\$ 83,755	\$ -	\$ 589,561
Housing allowance	108,000	-	-	108,000
Benefits	71,766	-	-	71,766
Contributed services	447,923	-	-	447,923
Information technology	82,853	2,420	-	85,273
Office supplies	65,696	-	192	65,888
Advertising	56,192	-	9,230	65,422
Occupancy	52,946	-	-	52,946
Payroll taxes	40,474	-	-	40,474
Miscellaneous	29,367	-	-	29,367
Professional fees	-	28,219	-	28,219
Conferences fees	9,094	-	17,235	26,329
Membership and dues	11,481	-	-	11,481
Insurance	8,637	-	-	8,637
Travel and meals	4,739	-	-	4,739
Depreciation	713	-	-	713
	<u>\$ 1,495,687</u>	<u>\$ 114,394</u>	<u>\$ 26,657</u>	<u>\$ 1,636,738</u>

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Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Expenses by natural classification and functional allocation are as follows for the year ended December 31, 2020:

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 402,424	\$ 53,827	\$ -	\$ 456,251
Housing allowance	78,484	-	-	78,484
Benefits	31,404	-	-	31,404
Contributed services	571,946	-	-	571,946
Information technology	65,495	-	-	65,495
Occupancy	55,073	-	-	55,073
Advertising	48,231	-	-	48,231
Office supplies	17,860	-	22,829	40,689
Payroll taxes	25,662	3,349	-	29,011
Miscellaneous	22,308	-	-	22,308
Loss on sale of building	13,963	-	-	13,963
Professional fees	10,250	-	-	10,250
Conferences fees	6,886	-	-	6,886
Membership and dues	4,808	-	-	4,808
Insurance	5,364	-	-	5,364
Travel and meals	4,713	-	-	4,713
Depreciation	1,069	-	-	1,069
	<u>\$ 1,365,940</u>	<u>\$ 57,176</u>	<u>\$ 22,829</u>	<u>\$ 1,445,945</u>

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Notes to Financial Statements

December 31, 2021 and 2020

3. INVESTMENTS:

The Organization's investment holdings are as follows:

	December 31,	
	2021	2020
Mutual funds	\$ 2,605,523	\$ 291,888

The Organization reports fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily net asset values. Mutual and exchange-traded funds allow investors to sell their interest in the fund at a published daily net asset value. These funds are categorized in Level 1 of the fair value hierarchy.

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Notes to Financial Statements

December 31, 2021 and 2020

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment consists of the following:

	December 31,	
	2021	2020
Furniture and equipment	\$ 31,821	\$ 25,681
	31,821	25,681
Less accumulated depreciation	(24,671)	(23,958)
	<u>\$ 7,150</u>	<u>\$ 1,723</u>

5. CONTRIBUTED SERVICES:

Administer Justice receives donated services from unpaid volunteers. Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Administer Justice. An estimated value for the professional services of the attorneys, paralegals, interpreters, and bookkeepers has been recognized in the Statement of Activities having met the criteria for recognition. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets. During the years ended December 31, 2021 and 2020, donated services amounted to approximately \$447,923 and \$571,946, respectively.

6. LEASE EXPENSE:

Administer Justice leases its office space under a two-year lease that expired on August 31, 2019. After August 31, 2019, the lease is month-to-month. Payments of \$2,705 are made on a monthly basis. In addition, monthly payments are required for Administer Justice's proportionate share of real estate and common area maintenance fees. Rent was \$35,227 and \$47,095 for the years ended December 31, 2021 and 2020, respectively.

Administer Justice also leases office equipment under operating leases. Monthly payments of \$19 are made for the lease of a postage meter that expired in June 2020. Monthly payments of \$231 are made for the lease of a copier that will expire in December 2024. Future minimum lease payments will be made by Administer Justice as follows:

2022	\$ 2,770
2023	2,770
2024	2,770
	<u>\$ 8,310</u>

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Notes to Financial Statements

December 31, 2021 and 2020

7. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Administer Justice's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or due to contractual or donor-imposed restrictions. Administer Justice's general operations are funded by contributions from donors as well as grants from outside organizations.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 204,217	\$ 335,315
Investments	2,605,523	291,888
Accounts receivable	-	138,603
Prepaid expenses and other assets	525	5,455
	<u>525</u>	<u>5,455</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,810,265</u>	<u>\$ 771,261</u>

8. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Administer Justice for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 17, 2022, which represents the date the financial statements were available to be issued.