

Kevin P. Martin & Associates, P.C.



Justice at Work, Inc.

Financial Statements

June 30, 2019 and 2018



Independent Accountants' Review Report

To the Board of Directors of
Justice at Work, Inc.

We have reviewed the accompanying financial statements of Justice at Work, Inc. (a nonprofit organization) (the Agency) which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, cash flows and functional expenses for the years 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 the Agency's 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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.

Accountants' 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 States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Agency has adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



December 2, 2019
Danvers, Massachusetts

JUSTICE AT WORK, INC.

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June 30, 2019 and 2018

Independent Accountants' Review Report

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JUSTICE AT WORK, INC.

Statements of Financial Position

As of June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 329,134	\$ 238,647
Accounts receivable	28,500	30,000
Promises to give, short-term	22,917	56,667
Prepaid expenses	<u>2,745</u>	<u>-</u>
Total current assets	<u>383,296</u>	<u>325,314</u>
Security deposits	<u>3,602</u>	<u>3,602</u>
Total assets before deposits held in trust	<u>386,898</u>	<u>328,916</u>
Deposits Held in Trust	<u>6,407</u>	<u>2,927</u>
Total Assets	<u>\$ 393,305</u>	<u>\$ 331,843</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued expenses	\$ <u>11,089</u>	\$ <u>9,160</u>
Total current liabilities	<u>11,089</u>	<u>9,160</u>
Total liabilities before deposits held in trust	<u>11,089</u>	<u>9,160</u>
Deposits Held in Trust	<u>6,407</u>	<u>2,927</u>
Total long term liabilities	<u>6,407</u>	<u>2,927</u>
Total liabilities	<u>17,496</u>	<u>12,087</u>
Net Assets		
Net assets without donor restrictions	324,392	263,089
Net assets with donor restrictions	<u>51,417</u>	<u>56,667</u>
Total net assets	<u>375,809</u>	<u>319,756</u>
Total Liabilities and Net Assets	<u>\$ 393,305</u>	<u>\$ 331,843</u>

See accompanying notes and independent accountants' review report.

JUSTICE AT WORK, INC.

Statements of Activities

For the Years Ended June 30, 2019 and 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
Revenue and Support				
Contributions	\$ 298,751	\$ 28,500	\$ 327,251	\$ 343,958
In-kind contributions	58,910	-	58,910	13,600
Special events	25,949	-	25,949	35,939
Program service fees	103,076	-	103,076	103,606
Net assets released from restrictions	<u>33,750</u>	<u>(33,750)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>520,436</u>	<u>(5,250)</u>	<u>515,186</u>	<u>497,223</u>
Expenses				
Program services	317,905	-	317,905	232,917
Administration	47,343	-	47,343	39,412
Fundraising	<u>93,885</u>	<u>-</u>	<u>93,885</u>	<u>113,593</u>
Total expenses	<u>459,133</u>	<u>-</u>	<u>459,133</u>	<u>385,922</u>
Change in net assets	<u>61,303</u>	<u>(5,250)</u>	<u>56,053</u>	<u>111,301</u>
Total Change in Net Assets	61,303	(5,250)	56,053	111,301
Net Assets at Beginning of Year	<u>263,089</u>	<u>56,667</u>	<u>319,756</u>	<u>208,455</u>
Net Assets at End of Year	<u>\$ 324,392</u>	<u>\$ 51,417</u>	<u>\$ 375,809</u>	<u>\$ 319,756</u>

See accompanying notes and independent accountants' review report.

JUSTICE AT WORK, INC.

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

Cash Flows from Operating Activities	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 56,053	\$ 111,301
Decrease (increase) in assets:		
Accounts receivable	1,500	18,090
Promises to give	33,750	(36,667)
Prepaid expenses	(2,745)	1,040
Security deposits	-	(3,602)
Deposits held in trust	(3,480)	(1,199)
Increase (decrease) in liabilities:		
Accrued expenses	1,929	1,205
Deposits held in trust	<u>3,480</u>	<u>1,199</u>
Net Cash Provided by Operating Activities	<u>90,487</u>	<u>91,367</u>
Net Increase in Cash and Cash Equivalents	<u>90,487</u>	<u>91,367</u>
Cash and Cash Equivalents - Beginning	<u>238,647</u>	<u>147,280</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 329,134</u></u>	<u><u>\$ 238,647</u></u>

See accompanying notes and independent accountants' review report.

JUSTICE AT WORK, INC.

Statement of Functional Expenses

For the Years Ended June 30, 2019 and 2018

	Program Services	Administration	Fundraising	2019 Total	2018 Total
Salary	\$ 194,328	\$ 21,523	\$ 60,519	\$ 276,370	\$ 246,474
Payroll taxes	15,161	1,770	4,978	21,909	20,814
Benefits	5,709	667	1,875	8,251	13,695
Total salary and related expenses	<u>215,198</u>	<u>23,960</u>	<u>67,372</u>	<u>306,530</u>	<u>280,983</u>
Occupancy	17,676	2,064	5,803	25,543	26,876
Professional services	55,960	12,450	-	68,410	17,051
Special events and solicitation	7,194	992	6,350	14,536	16,638
Office expenses	2,357	-	11,950	14,307	14,439
Consultants	405	3,986	1,215	5,606	10,210
Litigation	4,028	144	-	4,172	5,936
Travel, meetings and conferences	3,973	24	729	4,726	5,362
Research expenses	3,795	3,646	-	7,441	4,157
Insurance	2,234	77	216	2,527	2,624
Memberships, subscriptions and fees	1,186	-	-	1,186	1,511
Staff training	3,899	-	250	4,149	135
	<u>\$ 317,905</u>	<u>\$ 47,343</u>	<u>\$ 93,885</u>	<u>\$ 459,133</u>	<u>\$ 385,922</u>

See accompanying notes and independent accountants' review report.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Justice at Work, Inc. (a nonprofit organization) (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Agency was incorporated in Massachusetts on February 9, 2011, and serves its mission by supporting low wage immigrant workers by providing legal needs to immigrant worker centers. The Agency provides a mixture of employment and labor related legal support by training, educating, referrals and representation, in order to address issues in relation to wage theft, unsafe conditions, discrimination, harassment and illegal retaliation.

(b) Basis of Presentation

The statements of activities report all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

(c) Standards of Accounting and Reporting

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statements of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statements of activities displays the change in each class of net assets. The classes of net assets applicable to the Agency are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies - continued

(d) *Cash and Cash Equivalents*

The Agency considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

The Agency maintains its cash balances at a financial institution located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Agency has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2019 and 2018.

(e) *Revenue Recognition*

The Agency earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Agency when units or services are provided and a successful outcome is achieved on behalf of the client. The Agency earns contingency attorney fees for legal services provided to clients. The Agency also earns co-counsel contingency attorney fees when cases are co-counseled with other private attorneys. The fees are split through a lodestar approach, which is a method of determining fees based on reasonable hourly rates and a reasonable number of hours and may involve adjustments to reflect the characteristics of a given action. The Agency earns referral fees by recommending or sending clients to third party attorneys who also operate on a contingency fee basis.

Contributions - Contributions are recorded upon receipt or pledge as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the years ended June 30, 2019 and 2018, the Agency derived approximately 80% and 79%, respectively, of its total revenue from contributions from foundations and individual donors and 20% and 21%, respectively, from program service fees. All revenue is recorded at the estimated net realizable amounts.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies - continued

(f) Accounts Receivable

The Agency's accounts receivable are recorded when litigation ends with favorable results or out of court settlements. Accounts receivable are stated at the amount management expects to collect from court judgements or settlements. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2019 and 2018, management has determined any allowance would be immaterial. As of June 30, 2019 and 2018, the Agency's accounts receivable was due from one source.

The Agency does not have a policy to accrue interest on receivables and has no policies requiring collateral or other security to secure the accounts receivable.

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2019, management has determined any allowance would be immaterial.

(h) Deposits Held in Trust

The Agency deposits settlement and judgement proceeds into an account known as the Interest on Lawyer Trust Account (IOLTA). Agency fees are withdrawn from this account and the remaining balances at year-end represent client funds or funds that belong to third party vendors working on the cases. Interest earned on the account goes to the Commonwealth to provide legal aid to indigent persons and support improvements to the justice system. The IOLTA funds are held by a financial institution in Massachusetts certified by the Massachusetts IOLTA Committee, a nonprofit organization.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies - continued

(i) Contributed Services, Gifts in Kind and Donated Facilities

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Agency personnel. Donated facilities and utility costs are recorded based on the fair value of facility rent and utility costs at the time of donation.

(j) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Agency and promoting special events. Immaterial amounts of fundraising are included in administration expenses. Fundraising expenses as a percentage of contribution and special event revenue was 23% and 29% for the years ended June 30, 2019 and 2018, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(k) Special Events

The Agency has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue. Immaterial amounts of the cost of direct benefits to donors are included in fundraising expenses on the statements of activities.

(l) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon associated full time equivalents.

(m) Use of Estimates

In preparing the Agency's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies - continued

(n) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1).

(o) Recent Accounting Standard Adopted

In August 2016, the Financial Accounting Standards Board 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. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result, the Agency has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. In addition, the Agency changed its presentation of its net asset classes and expanded the footnote disclosures as required by the ASU, with no effect on previously reported change in net assets. Other than these reclassifications, the adoption of ASU 2016-14 did not have a material impact on the Agency's financial position, results of activities or cash flows.

(2) Promises to Give

The Agency has a unconditional promises to give of \$22,917 as of June 30, 2019, all of which is expected to be received within one year. As of June 30, 2018, unconditional promises to give amounted to \$56,667. There were no conditional promises to give as of June 30, 2019 or 2018.

(3) Sublease and Donated Facilities

The Agency rented office space, at an amount below market, under a verbal tenant-at-will sublease requiring fixed monthly payments of \$700. The Agency received free electricity and internet and copier use from the sub-lessor. The value of these donated costs plus the below market discount was estimated at zero and \$6,360 for the years ended June 30, 2019 and 2018, respectively, and is included in in-kind contributions on the statements of activities. The lease was accounted for as an operating lease. During the years ended June 30, 2019 and 2018, the Agency incurred rent expense of zero and \$13,600, respectively, which includes the total cost of the lease plus other costs for parking. The Agency terminated this lease in December 2017.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(3) Sublease and Donated Facilities - continued

In November of 2017 the Agency entered into a two-year lease agreement for office space requiring fixed monthly payments of \$1,797. The lease was effective January 1, 2018 and beginning January 1, 2019, rent was escalated by the local Consumer Price Index to \$1,869. On March 1, 2019, this lease was amended, in order to provide access to an extra desk, and the fixed monthly payments increased by \$288. The amended lease expires on December 31, 2019. During the years ended June 30, 2019 and 2018, the Agency incurred rent expense of \$23,148 and \$13,276, respectively. Future minimum lease payments are as follows:

2020	\$ 12,942
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(4) Net Assets

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2019 and 2018, net assets with donor restrictions amounted to \$51,417 and \$56,667, respectively, and are time restricted promises to give.

(5) Liquidity and Availability of Resources

The following reflects the Agency's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end	
Cash and cash equivalents	\$ 329,134
Accounts receivable	28,500
Promises to give	<u>22,917</u>
Total	<u>380,551</u>
Less amounts unavailable for general expenditures	
Within one year, due to:	
Restricted by donors for specific purposes	<u>51,417</u>
Total	<u>51,417</u>
Financial assets available to meet cash needs for	
general expenditures within one year	\$ <u>329,134</u>

The Agency is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

JUSTICE AT WORK, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(6) Subsequent Events

The Agency has performed an evaluation of subsequent events through December 2, 2019, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in these financial statements.