

**Lawyers Without Borders, Inc.**

**Financial Statements and  
Independent Auditor's Report**

**December 31, 2012 and 2011**

# Lawyers Without Borders, Inc.

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Independent Auditor's Report

To the Board of Directors  
Lawyers Without Borders, Inc.

We have audited the accompanying financial statements of Lawyers Without Borders, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 above present fairly, in all material respects, the financial position of Lawyers Without Borders, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Glastonbury, Connecticut  
September 10, 2013

**Lawyers Without Borders, Inc.**

**Statements of Financial Position  
December 31, 2012 and 2011**

Assets

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 74,517	\$ 89,398
Prepaid expenses and other current assets	9,167	-
Total current assets	<u>83,684</u>	<u>89,398</u>
Furniture and equipment, net	<u>2,839</u>	<u>4,202</u>
Other assets:		
Note receivable	7,732	7,732
Security deposits	3,750	5,417
Total other assets	<u>11,482</u>	<u>13,149</u>
Total assets	<u>\$ 98,005</u>	<u>\$ 106,749</u>

Liabilities and Net Assets

Current liabilities:		
Accrued expenses	<u>\$ 29,976</u>	<u>\$ 11,114</u>
Commitment		
Net assets:		
Unrestricted	<u>68,029</u>	<u>95,635</u>
Total liabilities and net assets	<u>\$ 98,005</u>	<u>\$ 106,749</u>

See Notes to Financial Statements.

**Lawyers Without Borders, Inc.**

**Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Revenue and support:		
In-kind contributions	\$ 4,618,867	\$ 3,102,602
Contributions	330,406	254,556
Grants	250,596	69,574
Other income	1,827	2,094
Membership dues	100	400
Interest income	36	21
Total unrestricted revenue and support	<u>5,201,832</u>	<u>3,429,247</u>
Expenses:		
Program	(4,814,858)	(3,069,966)
Management and general	(414,580)	(311,766)
Total expenses	<u>(5,229,438)</u>	<u>(3,381,732)</u>
Change in net assets	(27,606)	47,515
Net assets, beginning of year	<u>95,635</u>	<u>48,120</u>
Net assets, end of year	<u>\$ 68,029</u>	<u>\$ 95,635</u>

See Notes to Financial Statements.

Lawyers Without Borders, Inc.

Statement of Functional Expenses  
Year Ended December 31, 2012  
(with comparative totals for 2011)

	Program					Total Program	Management and General	2012 Total	2011 Total
	Liberia	Kenya	LAC	Haiti	Other International				
Salaries	\$ 4,906	\$ 12,500	\$ 118,550	\$ -	\$ -	\$ 135,956	\$ 86,023	\$ 221,979	\$ 111,720
In-kind legal services	792,152	402,455	516,795	112,139	2,660,203	4,483,744	135,123	4,618,867	3,102,602
Travel	998	18,269	29,533	-	-	48,800	18,256	67,056	41,137
Supplies and training materials	146	4,811	44,159	-	-	49,116	14,864	63,980	24,506
Rent	-	-	-	-	-	-	60,559	60,559	41,939
Professional fees	-	-	17,011	-	-	17,011	16,919	33,930	13,762
Employee benefits and payroll taxes	491	-	13,763	-	-	14,254	18,395	32,649	19,704
Moving expenses	-	-	-	-	-	-	25,313	25,313	-
Postage and shipping	212	1,738	7,453	-	-	9,403	2,845	12,248	3,411
Project expense	299	-	-	-	11,710	12,009	-	12,009	8,133
Translation expenses	-	-	9,409	-	-	9,409	-	9,409	28
Printing and copying	-	-	-	-	-	-	3,762	3,762	2,166
Website hosting	-	-	222	-	-	222	1,526	1,748	206
Outside services	1,250	-	-	-	-	1,250	-	1,250	-
Insurance	-	-	-	-	-	-	997	997	882
Property taxes	-	-	-	-	-	-	606	606	943
Bank fees	-	-	40	-	-	40	239	279	490
Dues and subscriptions	-	-	-	-	-	-	60	60	49
Depreciation	-	-	-	-	-	-	1,363	1,363	2,163
Fundraising	-	-	-	-	-	-	-	-	214
Miscellaneous	2,893	13,623	17,128	-	-	33,644	27,730	61,374	7,677
<b>Total expenses</b>	<b>\$ 803,347</b>	<b>\$ 453,396</b>	<b>\$ 774,063</b>	<b>\$ 112,139</b>	<b>\$ 2,671,913</b>	<b>\$ 4,814,858</b>	<b>\$ 414,580</b>	<b>\$ 5,229,438</b>	<b>\$ 3,381,732</b>

See Notes to Financial Statements.

Lawyers Without Borders, Inc.

Statement of Functional Expenses  
Year Ended December 31, 2011

	Program							Management and General	Total
	Liberia	Kenya	LAC	Haiti	Other International	Other National	Total Program		
Salaries	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000	\$ 81,720	\$ 111,720
In-kind legal services	13,267	1,960,969	64,779	114,826	800,416	15,120	2,969,377	133,225	3,102,602
Rent	-	-	-	-	-	-	-	41,939	41,939
Employee benefits and payroll taxes	-	-	3,425	-	-	-	3,425	16,279	19,704
Travel	-	19,719	7,109	-	-	-	26,828	14,309	41,137
Professional fees	-	-	6,820	-	-	-	6,820	6,942	13,762
Supplies and training materials	-	1,847	17,222	-	-	-	19,069	5,437	24,506
Printing and copying	-	-	-	-	-	-	-	2,166	2,166
Depreciation	-	-	-	-	-	-	-	2,163	2,163
Postage and shipping	86	1,208	321	-	-	-	1,615	1,796	3,411
Property taxes	-	-	-	-	-	-	-	943	943
Insurance	-	-	-	-	-	-	-	882	882
Bank fees	-	-	-	-	-	-	-	490	490
Fundraising	-	-	-	-	-	-	-	214	214
Website hosting	-	-	-	-	-	-	-	206	206
Dues and subscriptions	-	-	-	-	-	-	-	49	49
Project expense	400	-	-	-	7,733	-	8,133	-	8,133
Translation expenses	-	-	28	-	-	-	28	-	28
Miscellaneous	45	1,422	3,204	-	-	-	4,671	3,006	7,677
<b>Total expenses</b>	<b>\$ 13,798</b>	<b>\$ 1,985,165</b>	<b>\$ 132,908</b>	<b>\$ 114,826</b>	<b>\$ 808,149</b>	<b>\$ 15,120</b>	<b>\$ 3,069,966</b>	<b>\$ 311,766</b>	<b>\$ 3,381,732</b>

See Notes to Financial Statements.

**Lawyers Without Borders, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Operating activities:		
Change in net assets	\$ (27,606)	\$ 47,515
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,363	2,163
Changes in operating assets and liabilities:		
Grants and contributions	-	14,560
Restricted cash	-	461
Prepaid expenses and other current assets	(9,167)	-
Security deposits	1,667	(5,417)
Accrued expenses	18,862	(7,945)
Net cash provided by (used in) operating activities	<u>(14,881)</u>	<u>51,337</u>
Change in cash	(14,881)	51,337
Cash, beginning of year	<u>89,398</u>	<u>38,061</u>
Cash, end of year	<u><u>\$ 74,517</u></u>	<u><u>\$ 89,398</u></u>

See Notes to Financial Statements.



## Lawyers Without Borders, Inc.

### Notes to Financial Statements

#### Note 1 - Nature of activities:

Lawyers Without Borders, Inc. (the "Organization") was organized in Connecticut in March 2000 as a nonprofit corporation for the purpose of providing legal support to Rule of Law projects and initiatives in the human rights and nation building sectors at low or significantly discounted costs around the globe.

#### Note 2 - Summary of significant accounting policies:

##### Financial statement presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization or that expire by the passage of time. The Organization had no temporarily restricted net assets at December 31, 2012 or 2011.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law. The Organization had no permanently restricted net assets at December 31, 2012 and 2011.

##### Income tax status:

The Organization was organized as a nonprofit corporation as described under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to Federal and state corporation income taxes.

The Organization has no unrecognized tax benefits at December 31, 2012 and 2011. The Organization's Federal information returns prior to calendar year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

## **Lawyers Without Borders, Inc.**

### **Notes to Financial Statements**

#### **Revenue recognition:**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants that are not accounted for as contributions are recorded as receivables in the period the commitment is made by the grantor and are deemed to be earned and reported as revenue and support when the Organization has expended funds which meet the grant's specific restrictions. Unexpended amounts are classified as deferred revenue in the accompanying financial statements.

Dues from members are recognized as income when received.

#### **Contributed services:**

The Organization recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet this criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Organization's programs. During the years ended December 31, 2012 and 2011, the number of contributed hours of service by stipend attorneys was approximately 10,500 and 7,200 hours, respectively.

Contributed services are reflected at their fair value at date of donation. During the years ended December 31, 2012 and 2011, the fair value of contributed services meeting the requirements for recognition in the financial statements was \$4,618,867 and \$3,102,602, respectively, primarily related to providing legal services on behalf of the Organization for various legal projects in a variety of countries.

#### **Furniture and equipment:**

Furniture and equipment are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures for furniture and equipment in excess of \$1,000. Donated furniture and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

## Lawyers Without Borders, Inc.

### Notes to Financial Statements

Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated Lives</u>
Furniture and equipment	5 - 7 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

#### **Gifts of long-lived assets:**

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions of acquired long-lived assets when placed in service.

#### **Expenses by function:**

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

#### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Concentrations of credit risk:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and receivables. The Organization maintains its cash with high-credit quality financial institutions. The Organization has not experienced any losses in such accounts. At December 31, 2012 and 2011, the Organization had no cash balances that exceeded Federally insured limits. Receivables are reviewed by management for collectability based on past history and current economic conditions. Management deems all receivables to be collectable.

#### **Subsequent events:**

The Organization has evaluated events and transactions for potential recognition or disclosure through September 10, 2013, which is the date the financial statements were available to be released.

## Lawyers Without Borders, Inc.

### Notes to Financial Statements

#### Note 3 - Furniture and equipment:

The components of furniture and equipment are as follows at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 24,614	\$ 24,614
Less: accumulated depreciation	21,775	20,412
Net furniture and equipment	<u>\$ 2,839</u>	<u>\$ 4,202</u>

#### Note 4 - Commitment:

##### Operating leases:

The Organization leases equipment under non-cancelable operating leases. The leases expire at various times through December 2017. The Organization is responsible for the taxes and insurance related to the leased office equipment. Total lease expense for the years ended December 31, 2012 and 2011 was \$6,259 and \$3,407, respectively.

On November 16, 2012 the Organization entered into a new lease agreement for office space, commencing January 1, 2013 and expiring March 31, 2018. The first three months of rent are free and the monthly payment thereafter is escalating starting at \$3,750. The Organization is responsible for utilities and insurance.

Aggregate future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 43,946
2014	55,196
2015	56,209
2016	56,546
2017	57,589
Thereafter	11,935
	<u>\$ 281,421</u>

#### Note 5 - Related party:

##### Operating lease:

The Organization leased office space under a related party operating lease. Monthly base rent ranged from \$3,288 to \$3,378. The lease expired on December 31, 2012. Total rent expense amounted to \$54,000 and \$38,532 for the years ended December 31, 2012 and 2011, respectively.

##### Note receivable:

The Organization provided a note receivable to Lawyers Without Borders - United Kingdom ("LWOB- UK") to assist with start-up funds in a prior year. The Executive Director of the Organization is a board member of LWOB-UK. There are no stated interest rate or repayment terms. The balance owed to the Organization as of the December 31, 2012, and 2011 was \$7,732.