

EARL CARL INSTITUTE FOR LEGAL
AND SOCIAL POLICY, INC.

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2009

Earl Carl Institute for Legal and Social Policy, Inc.

Financial Statements

For the Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Earl Carl Institute for Legal and Social Policy, Inc.

We have audited the accompanying statement of financial position of Earl Carl Institute for Legal and Social Policy, Inc. (a not-for-profit organization), as of December 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Earl Carl Institute for Legal and Social Policy, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earl Carl Institute for Legal and Social Policy, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Parmet, Chapman & Madsen, P.C.

PARMET, CHAPMAN & MADSEN, P.C.
Certified Public Accountants
August 27, 2010

EARL CARL INSTITUTE FOR LEGAL & SOCIAL POLICY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

CURRENT ASSETS

| | |
|-------------------------------------|---------------|
| Cash | \$ 80,517 |
| Accounts receivable - related party | <u>3,817</u> |
| TOTAL CURRENT ASSETS | <u>84,334</u> |

EQUIPMENT

| | |
|--------------------------|----------------|
| Equipment | 5,002 |
| Accumulated depreciation | <u>(1,227)</u> |
| TOTAL EQUIPMENT | <u>3,775</u> |

| | |
|--------------|-------------------------|
| TOTAL ASSETS | <u><u>\$ 88,109</u></u> |
|--------------|-------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------|-----------------|
| Accrued liabilities | <u>\$ 3,646</u> |
| TOTAL CURRENT LIABILITIES | <u>3,646</u> |

NET ASSETS

| | |
|------------------------|---------------|
| Unrestricted | 4,767 |
| Temporarily restricted | <u>79,696</u> |
| TOTAL NET ASSETS | <u>84,463</u> |

| | |
|----------------------------------|-------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 88,109</u></u> |
|----------------------------------|-------------------------|

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT.

EARL CARL INSTITUTE FOR LEGAL & SOCIAL POLICY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Grants | \$ - | \$ 108,340 | \$ 108,340 |
| Contributions | 4,520 | - | 4,520 |
| Interest income | 2 | - | 2 |
| Net assets released from restrictions | 71,977 | (71,977) | - |
| TOTAL REVENUES AND OTHER SUPPORT | <u>76,499</u> | <u>36,363</u> | <u>112,862</u> |
| EXPENSES | | | |
| Program Services | 68,727 | - | 68,727 |
| General and administrative | 1,177 | - | 1,177 |
| TOTAL EXPENSES | <u>69,904</u> | <u>-</u> | <u>69,904</u> |
| CHANGE IN NET ASSETS | 6,595 | 36,363 | 42,958 |
| NET ASSETS - BEGINNING OF PERIOD | <u>(1,828)</u> | <u>43,333</u> | <u>41,505</u> |
| NET ASSETS - END OF PERIOD | <u>\$ 4,767</u> | <u>\$ 79,696</u> | <u>\$ 84,463</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT.

EARL CARL INSTITUTE FOR LEGAL & SOCIAL POLICY, INC.
 STATEMENT OF FUNTIONAL EXPENSES
 For the Year Ended December 31, 2009

| | Program Services | Management & General | Total |
|---------------------------|---------------------|-------------------------|------------------|
| Contractual services | \$ 32,671 | \$ 114 | \$ 32,785 |
| Professional fees | 26,032 | - | 26,032 |
| Supplies | 6,314 | 455 | 6,769 |
| Travel and entertainment | 1,276 | 523 | 1,799 |
| Depreciation expense | 1,158 | 69 | 1,227 |
| Printing and reproduction | 516 | - | 516 |
| Other Expenses | 177 | - | 177 |
| Court fees | 172 | - | 172 |
| Reference materials | 152 | - | 152 |
| Bank fees | 117 | 16 | 133 |
| Insurance | 107 | - | 107 |
| Postage and shipping | 35 | - | 35 |
| | <u>\$ 68,727</u> | <u>\$ 1,177</u> | <u>\$ 69,904</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT.

EARL CARL INSTITUTE FOR LEGAL & SOCIAL POLICY, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------|
| Change in net assets | \$ 42,958 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,227 |
| Decrease in accounts receivable | 10 |
| Increase in accrued liabilities | <u>3,646</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 47,841 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|----------------|
| Purchase of equipment | <u>(5,002)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(5,002)</u> |

NET INCREASE IN CASH 42,839

CASH AT BEGINNING OF YEAR 37,678

CASH AT END OF YEAR \$ 80,517

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT.

EARL CARL INSTITUTE FOR LEGAL AND SOCIAL POLICY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Earl Carl Institute for Legal and Social Policy, Inc. (the "Institute") was incorporated in the State of Texas on November 13, 1992, under the Texas Non-Profit Corporation Act. The Institute's primary purpose is to solve legal and social problems facing the urban community through scholarship and advocacy. The Institute's main source of income is grant awards.

The Institute is operated by personnel and utilizes facilities within the Thurgood Marshall School of Law (the "Law School") of Texas Southern University (the "University") in Houston, Texas.

Financial Statement Presentation

The Institute presents its financial statements under FASB Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). Under FASB ASC 958, the Institute is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently on behalf of the Institute. Generally, the donors of these assets permit the Institute to use all or part of the investment return on these assets. The Institute had no permanently restricted net assets at December 31, 2009.

Revenue Recognition

Grants and other contributions of cash and other assets are recognized when the donor makes a promise to give to the Institute that is in substance, unconditional. Contributions are reported as temporarily restricted revenues if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (when a donor stipulation is met by actions of the Institute and/or the passage of time), the amounts are reported as net assets released from restrictions and reclassified to unrestricted net assets. If the restriction is satisfied in the same period the contribution is originally received, the contribution is reported as unrestricted.

EARL CARL INSTITUTE FOR LEGAL AND SOCIAL POLICY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

The Institute receives the use of office space, office expenses, office equipment and assistance of personnel from the Law School and University. Donated services from unrelated third parties are insignificant. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

Equipment

Equipment is carried at cost. For financial reporting purposes, depreciation is provided using the straight-line method based on estimated useful lives ranging from three to five years.

Total depreciation expense charged to expense was \$1,227 for 2009.

Maintenance and repairs are expensed as incurred. Expenditures for major improvements that extend the useful lives of property or equipment are capitalized.

Income Tax

The Institute is tax exempt under Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to federal income tax. However, the Institute is subject to taxes on unrelated business income. The Institute had no unrelated business income during 2009.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Institute's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

Expenses are charged directly to program or general and administrative categories based on specific identification. Indirect expenses have been allocated based on hours worked, square footage, or other similar allocation methods.

Fundraising Expenses

Expenses for fundraising activities are provided free of charge by the Law School and University by the use of office supplies, equipment and facilities.

EARL CARL INSTITUTE FOR LEGAL AND SOCIAL POLICY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at invoiced amounts. Accounts are written off based on the facts and circumstances surrounding the specific receivable. Management has evaluated the collectability of outstanding receivables and no allowance for doubtful accounts is considered necessary at December 31, 2009.

Management's review of subsequent events

Management has evaluated subsequent events through August 27, 2010, the date on which the financial statements were available to be issued. There were no subsequent events through August 27, 2010, that required adjustment to or disclosure in the financial statements.

NOTE B - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009, temporarily restricted net assets consist of funds restricted by donors for the following:

| | |
|---|------------------|
| Texas Access to Justice (BCLS #1458) – legal services to prevent land loss and preserve wealth to low-income residents | \$ 15,773 |
| Texas Access to Justice (BCLS #1529) – purchase of computer hardware and software | 6,954 |
| Texas Access to Justice (BCLS #1529) – foreclosure defense work | 17,881 |
| Texas Bar Foundation – legal services for juveniles | 20,000 |
| Oriska Foundation – community awareness regarding education and recidivism and the historical importance of Texas Southern University | 19,088 |
| Total temporarily restricted net assets | <u>\$ 79,696</u> |

NOTE C – PRIOR PERIOD ADJUSTMENT

Temporarily restricted net assets at the beginning of the year have been increased by \$43,333 and unrestricted assets have been decreased by \$42,006 to reflect amounts restricted by donors for specific purposes and record additional receivables as of December 31, 2008. This change increased the change in net assets for 2008 by \$1,327.

EARL CARL INSTITUTE FOR LEGAL AND SOCIAL POLICY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE D – RELATED PARTY TRANSACTIONS

The accounts receivable as of December 31, 2009, totaling \$3,817, are due from the Law School and personnel associated with the Law School. The amounts due relate to travel, books, office supplies, gifts and conference expenses.

NOTE E – CONDITIONAL PROMISES TO GIVE

The Institute receives grant monies administered by the Texas Equal Access to Justice Foundation (the “Foundation”). Grant monies are to be used for legal services to prevent land loss and preserve wealth to low-income residents and make technology improvements as defined in the grant agreements. Funds are disbursed periodically during the grant period and are contingent upon approval of proposed budget amounts and other conditions specified in the agreements.

The Foundation retains the right to terminate funding if monies are not available at a future date. The Foundation also retains the right to terminate funding and obtain a refund of previous grant awards in the event it determines provisions of grant agreements have been violated.

Management believes the Institute is in compliance with grant provisions and anticipates all grant awards will be received. As of December 31, 2009, \$88,108 of remaining grant monies are scheduled to be awarded to the Institute by the Foundation under grants that expire in August 2010.