

LAWYERS WITHOUT BORDERS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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Murphy & Company, LLC

Certified Public Accountants | Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lawyers Without Borders, Inc.

We have audited the accompanying financial statements of Lawyers Without Borders, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, statements of functional expenses and statements of 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 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 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, 2014 and 2013, 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.

Murphy & Company, LLC

Branford, CT

October 5, 2015

LAWYERS WITHOUT BORDERS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 152,248	\$ 68,454
Grant receivable	31,443	29,508
Prepaid expenses and other current assets	5,832	-
Total current assets	189,523	97,962
Furniture and equipment, net	4,132	5,476
Other assets:		
Note receivable	-	7,732
Security deposits	3,750	3,750
Total other assets	3,750	11,482
Total assets	\$ 197,405	\$ 114,920
Liabilities and Net Assets		
Current Liabilities:		
Due to affiliate	\$ 2,134	\$ -
Accrued expenses	69,575	29,442
Total liabilities	71,709	29,442
Net assets:		
Unrestricted	95,139	83,448
Temporarily restricted	30,557	2,030
Total net assets	125,696	85,478
Total liabilities and net assets	\$ 197,405	\$ 114,920

See accompanying notes and independent auditors' report

LAWYERS WITHOUT BORDERS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted net assets:		
Unrestricted Revenue and support:		
In-kind contributions	\$ 2,743,074	\$ 4,237,092
Contributions	239,632	261,747
Grants	490,044	430,482
Other income	5,723	1,708
Membership dues	100	100
Interest income	48	26
Total unrestricted revenue and support	3,478,621	4,931,155
Net assets released from restrictions	21,474	41,970
Total unrestricted revenues and support	3,500,095	4,973,125
Expenses:		
Program	(3,121,893)	(4,711,603)
Management and general	(366,510)	(246,103)
Total expenses	(3,488,403)	(4,957,706)
Increase in unrestricted net assets	11,692	15,419
Temporarily restricted net assets:		
Contributions	50,000	44,000
Net assets released from restrictions	(21,474)	(41,970)
Increase in temporarily restricted net assets	28,526	2,030
Increase in net assets	40,218	17,449
Net assets, beginning of year	85,478	68,029
Net assets, end of year	\$ 125,696	\$ 85,478

See accompanying notes and independent auditors' report

LAWYERS WITHOUT BORDERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014
(with comparative totals for 2013)

	Program									
	Liberia	Kenya	LAC	Haiti	Iran	Other International	Total Program	Management and General	2014 Total	2013 Total
Salaries	\$ 13,583	\$ 12,500	\$ 136,903	\$ -	\$ 31,750	\$ 3,666	\$ 198,402	\$ 112,321	\$ 310,723	\$ 219,104
Supplies and training materials	5,789	1,815	46,295	-	857	-	54,756	21,050	75,806	140,094
Professional fees	1,526	-	48,925	-	6,531	-	56,982	7,578	64,560	59,862
Rent	-	-	-	-	-	-	-	57,381	57,381	44,353
Travel	7,599	9,405	12,031	-	4,144	-	32,979	13,559	46,538	99,473
Employee benefits and payroll taxes	1,358	-	19,286	-	3,172	394	24,210	16,969	41,179	29,405
Miscellaneous	9,222	3,802	15,201	-	11,816	587	40,628	-	40,628	51,963
Translation expenses	-	-	32,260	-	-	-	32,260	-	32,260	15,359
Outside services	-	-	-	-	26,149	250	26,399	-	26,399	-
Postage and shipping	1,221	919	20,866	-	356	-	23,362	1,110	24,472	32,903
Project expense	-	-	1,416	-	-	5,786	7,202	483	7,685	15,430
Printing and copying	-	-	-	-	1,084	2,364	3,448	1,101	4,549	2,379
Website hosting	-	-	888	-	-	-	888	3,169	4,078	4,905
Depreciation	-	-	-	-	-	-	-	3,169	3,169	2,363
Insurance	-	-	-	-	-	-	-	2,281	2,281	2,487
Moving expenses	-	-	-	-	-	-	-	806	806	-
Bank fees	-	-	-	-	-	-	-	740	740	337
Meals and Entertainment	-	-	720	-	-	-	720	-	720	-
Property taxes	-	-	-	-	-	-	-	716	716	-
Dues and subscriptions	-	-	-	-	-	-	-	639	639	197
	40,098	28,441	334,791	-	85,859	13,047	502,236	243,093	745,329	720,614
In-kind legal services	264,698	156,535	651,195	-	581,703	965,526	2,619,657	123,417	2,743,074	4,237,092
Total expenses	\$ 304,796	\$ 184,976	\$ 985,986	\$ -	\$ 667,562	\$ 978,573	\$ 3,121,893	\$ 366,510	\$ 3,488,403	\$ 4,957,706

See accompanying notes and independent auditors' report

LAWYERS WITHOUT BORDERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program										2013 Total
	Liberia	Kenya	LAC	Haiti	Iran	Other International	Total Program	Management and General	2013 Total		
Salaries	\$ 19,625	\$ 12,500	\$ 88,926	\$ -	\$ -	\$ -	\$ 121,051	\$ 98,053	\$ -	\$ 219,104	
Supplies and training materials	22,569	8,268	81,884	-	37	-	112,758	27,336	-	140,094	
Travel	32,061	26,750	34,301	-	-	-	93,112	6,361	-	99,473	
Professional fees	3,125	-	50,733	-	-	-	53,858	6,004	-	59,862	
Miscellaneous	16,392	11,761	23,810	-	-	-	51,963	-	-	51,963	
Rent	-	-	-	-	-	-	-	44,353	-	44,353	
Postage and shipping	1,618	4,731	24,413	-	-	-	30,762	2,141	-	32,903	
Employee benefits and payroll taxes	1,962	-	12,424	-	-	-	14,386	15,019	-	29,405	
Project expense	809	8,275	1,916	1,031	263	3,136	15,430	-	-	15,430	
Translation expenses	-	-	15,359	-	-	-	15,359	-	-	15,359	
Website hosting	-	-	1,961	-	-	-	1,961	2,944	-	4,905	
Insurance	-	-	-	-	-	-	-	2,487	-	2,487	
Printing and copying	-	-	-	-	-	-	-	2,379	-	2,379	
Depreciation	-	-	-	-	-	-	-	2,363	-	2,363	
Bank fees	-	-	80	-	-	-	80	257	-	337	
Dues and subscriptions	-	-	-	-	-	-	-	197	-	197	
Moving expenses	-	-	-	-	-	-	-	-	-	-	
Outside services	-	-	-	-	-	-	-	-	-	-	
Meals and Entertainment	-	-	-	-	-	-	-	-	-	-	
Property taxes	-	-	-	-	-	-	-	-	-	-	
In-kind legal services	98,161	72,285	335,807	1,031	300	3,136	510,720	209,894	-	720,614	
	413,294	367,749	1,569,154	7,395	-	1,843,291	4,200,883	36,209	-	4,237,092	
Total expenses	\$ 511,455	\$ 440,034	\$ 1,904,961	\$ 8,426	\$ 300	\$ 1,846,427	\$ 4,711,603	\$ 246,103	\$ -	\$ 4,957,706	

See accompanying notes and independent auditors' report.

LAWYERS WITHOUT BORDERS, INC.
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating activities:		
Changes in net assets	\$ 40,218	\$ 17,449
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,169	2,363
Donated furniture and equipment	-	(5,000)
Changes in operating assets and liabilities:		
Grants and contributions	(1,935)	(29,508)
Prepaid expenses and other current assets	(5,832)	9,167
Due to affiliate	2,134	-
Accrued expenses	40,133	(534)
Net cash provided by (used in) operating activities:	77,887	(6,063)
Change in financing activities:		
Purchase of fixed assets	(1,825)	-
Repayment on notes receivable	7,732	-
Net cash provided by financing activities:	5,907	-
Change in cash	83,794	(6,063)
Cash, beginning of year	68,454	74,517
Cash, end of year	\$ 152,248	\$ 68,454

See accompanying notes and independent auditors' report

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

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 significant discounted costs around the globe. Lawyers Without Borders, Inc. has offices in Connecticut and Washington, D.C.

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. At December 31, 2014 and 2013, the organization had temporarily restricted net assets of \$30,557 and 2,030, respectively.

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, 2014 and 2013.

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 income taxes.

The Organization has no unrecognized tax benefits at December 31, 2014 and 2013. The Organization's federal information returns prior to calendar year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.:

Income Tax Status - Cont'd.:

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 interest and penalties with the related tax liability in the statements of financial position.

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 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 would be classified as deferred revenue in the 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 these 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, 2014 and 2013, the number of contributed hours of service by stipend attorneys and other professionals was approximately 6,358 and 9,792 hours, respectively.

Contributed services are reflected at their fair value at date of donation. During the years ended December 31, 2014 and 2013, the fair value of contributed services meeting the requirements for recognition in the financial statements was \$2,743,074 and \$4,237,092, respectively, primarily related to providing legal services on behalf of the Organization for various legal projects in a variety of countries.

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.:

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 lives.

Estimated lives for financial reporting purposes are as follows:

<u>Assets</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 changes 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.:

Use of Estimates – Cont'd.:

reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Concentration 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, 2014 and 2013, the Organization had no cash balances that exceeded the 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.

Reclassification

Certain accounts for 2013 have been reclassified to conform to the current year presentation. The reclassification has no effect on the increases in net assets for 2013.

Date of Management Review

The Organizations has evaluated events and transactions for potential recognition or disclosure through October 5, 2015, which is the date the financial statements were available to be released.

NOTE 3 - FURNITURE AND EQUIPMENT:

The components of furniture and equipment are as follows at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 30,989	\$ 29,164
Less: accumulated depreciation	<u>26,857</u>	<u>23,688</u>
Net furniture and equipment	<u>\$ 4,132</u>	<u>\$ 5,476</u>

As of December 31, 2014 and 2013 depreciation expense was \$3,169 and \$2,363, respectively.

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE 4 - COMMITMENTS:

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, 2014 and 2013 was \$10,988 and \$10,497, respectively.

On November 16, 2012, the Organization entered into a 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. Total rent expense amounted to \$46,393 and \$33,857, respectively, for the years ended December 31, 2014 and 2013.

Aggregate future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2015	56,209
2016	56,546
2017	57,589
2018	11,935
	<u>\$ 182,279</u>

The Organization sub-leases office space to a related party commencing January 1, 2014. The lease is month to month at a rate of \$300 a month. For the year-ended December 31, 2014, rental income was \$3,600.

NOTE 5 - RELATED PARTY:

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 December 31, 2014 and 2013 was \$-0- and \$7,732, respectively.

LAWYERS WITHOUT BORDERS, INC.
NOTES TO FINANCIALS STATEMENTS
For the Years Ended December 31, 2014 and 2013

NOTE 5 - RELATED PARTY – Cont'd.:

Due to Affiliate

During 2014, the Organization had expenses paid on there behalf by LWOB – UK for work performed in Kenya. The balance owed to LWOB – UK as of December 31, 2014 was \$2,134.

Operating Lease:

The Organization sub-leased office space under a related party operating lease (See Note 4).

Employees

The Organization and a related party share a bookkeeper and an office administrator. The Organization pays the cost for the bookkeeper and the related party pays the cost for the office administrator. The Organization and the related party feel that the time spent by the employees and the cost by the employers are equivalent.