

**LIBERTY JUSTICE CENTER**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

TABLE OF CONTENTS

---

---

INDEPENDENT AUDITOR'S REPORT..... 3-4

FINANCIAL STATEMENTS

Statements of Financial Position ..... 5

Statements of Activities..... 6

Statements of Functional Expenses..... 7-8

Statements of Cash Flows ..... 9

Notes to Financial Statements..... 10-15



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Liberty Justice Center  
Chicago, Illinois

### **Opinion**

We have audited the accompanying financial statements of LIBERTY JUSTICE CENTER (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 LIBERTY JUSTICE CENTER as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 LIBERTY JUSTICE CENTER and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of LIBERTY JUSTICE CENTER as of December 31, 2020 were audited by other auditors whose report dated August 25, 2021 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Liberty Justice Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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, including omissions, 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 LIBERTY JUSTICE CENTER'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 LIBERTY JUSTICE CENTER'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.

*Warady & Davis LLP*

September 29, 2022

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,638,066	\$ 1,129,030
Accounts Receivable	250,000	—
Contributions Receivable	300,000	—
Due from Related Entities	400	—
Prepaid Expenses	20,103	22,473
	<u>\$ 4,208,569</u>	<u>\$ 1,151,503</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 124,837	\$ 69,743
Accrued Expenses	11,853	—
Accrued Employee Benefits	8,457	—
Accrued Vacation	25,683	23,632
Total Current Liabilities	<u>170,830</u>	<u>93,375</u>
<b>NET ASSETS</b>		
Without Donor Restriction	3,443,502	1,008,128
With Donor Restriction	594,237	50,000
Total Net Assets	<u>4,037,739</u>	<u>1,058,128</u>
	<u>\$ 4,208,569</u>	<u>\$ 1,151,503</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31

2021

2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Restated Without Donor Restriction</u>	<u>Restated With Donor Restriction</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 5,355,929	\$ 900,000	\$ 6,255,929	\$ 2,253,583	\$ 50,000	\$ 2,303,583
Attorney's Fees	33,849	—	—	—	—	—
Interest Income	—	—	—	2,710	—	2,710
Total Support and Revenues	<b>5,389,778</b>	<b>900,000</b>	<b>6,289,778</b>	2,256,293	50,000	2,306,293
Net Assets Released From Restrictions	<b>355,763</b>	<b>(355,763)</b>	—	120,024	(120,024)	—
Total Support and Revenues	<b>5,745,541</b>	<b>544,237</b>	<b>6,289,778</b>	2,376,317	(70,024)	2,306,293
<b>FUNCTIONAL EXPENSES</b>						
Program Services	2,680,486	—	2,680,486	1,653,936	—	1,653,936
General and Administrative	408,673	—	408,673	114,565	—	114,565
Fundraising	221,008	—	221,008	408,758	—	408,758
Total Expenses	<b>3,310,167</b>	—	<b>3,310,167</b>	2,177,259	—	2,177,259
CHANGE IN NET ASSETS	2,435,374	544,237	2,979,611	199,058	(70,024)	129,034
Net Assets, Beginning	1,008,128	50,000	1,058,128	809,070	120,024	929,094
<b>NET ASSETS, ENDING</b>	<b>\$ 3,443,502</b>	<b>\$ 594,237</b>	<b>\$ 4,037,739</b>	\$ 1,008,128	\$ 50,000	\$ 1,058,128

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services	Management and General	Fund- Raising	Total
Salaries and Wages .....	\$ 1,561,550	\$ 85,558	\$ 138,172	\$ 1,785,280
Payroll Taxes .....	103,732	6,925	8,179	118,836
Employee Benefits .....	128,046	17,967	10,133	156,146
Advertising and Promotion.....	98,114	308	—	98,422
Information Technology.....	8,070	17,552	—	25,622
Conferences and Events .....	31,266	—	2,664	33,930
Court Fees and Case Costs, net of Reimbursements...	9,450	—	—	9,450
Dues and Subscriptions .....	41,584	8,209	9,354	59,147
Financial Management .....	—	29,033	—	29,033
Insurance.....	—	37,645	—	37,645
Professional Fees.....				
Legal Casework .....	303,814	958	—	304,772
Accounting and Audit .....	—	78,153	—	78,153
Consulting.....	377,767	—	47,345	425,112
Recruiting.....	—	70,950	—	70,950
Other.....	360	25,045	—	25,405
Office Supplies, Postage and Mailing.....	159	5,073	1,181	6,413
Bank, Credit Card, and Processing Fees.....	—	4,119	—	4,119
Rent .....	—	21,093	—	21,093
Travel .....	16,574	85	3,980	20,639
<b>TOTALS</b>	<b>\$ 2,680,486</b>	<b>\$ 408,673</b>	<b>\$ 221,008</b>	<b>\$ 3,310,167</b>

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2020

	Program Services	Management and General	Fund- Raising	Total
Accounting and Audit .....	\$ —	\$ 16,719	\$ —	\$ 16,719
Advertising and Direct Mail .....	29,497	—	83,889	113,386
Business Fees and Taxes .....	1,634	—	—	1,634
Computer and Software .....	1,878	2,943	1,332	6,153
Conferences and Events .....	421	—	3,004	3,425
Consulting.....	118,444	—	68,630	187,074
Court Fees and Case Costs, net of Reimbursements.....	22,486	—	—	22,486
Dues and Subscriptions .....	2,298	591	49	2,938
Employee Benefits .....	94,017	15,181	16,865	126,063
Financial Management .....	—	9,040	—	9,040
Legal Fees .....	70,845	—	8,608	79,453
Office Supplies, Postage and Mailing.....	112	1,090	5,683	6,885
Other Administrative Expenses.....	819	3,068	—	3,887
Payroll Processing .....	—	14,268	—	14,268
Payroll Taxes .....	83,639	2,195	12,651	98,485
Printing .....	5,629	407	148	6,184
Production .....	6,098	—	4,480	10,578
Rent .....	—	10,100	—	10,100
Salaries and Wages .....	1,192,956	38,943	199,189	1,431,088
Sponsorship.....	5,000	—	—	5,000
Travel .....	12,897	—	4,202	17,099
Utilities .....	—	20	28	48
Website .....	5,266	—	—	5,266
<b>TOTALS</b>	<b>\$ 1,653,936</b>	<b>\$ 114,565</b>	<b>\$ 408,758</b>	<b>\$ 2,177,259</b>

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<b>\$ 2,979,611</b>	<b>\$ 129,034</b>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
(Increase) Decrease in Assets		
Accounts Receivable	<b>(250,000)</b>	—
Contributions Receivable	<b>(300,000)</b>	60,000
Due from Related Entities	<b>(400)</b>	16,129
Prepaid Expenses	<b>2,370</b>	(16,563)
Deposit	—	12,000
Increase (Decrease) in Liabilities		
Accounts Payable	<b>55,094</b>	27,085
Accrued Expenses	<b>11,853</b>	5,928
Accrued Benefits	<b>8,457</b>	—
Accrued Vacation	<b>2,051</b>	—
Total Adjustments	<b>(470,575)</b>	104,579
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES AND NET INCREASE IN CASH</b>	<b>2,509,036</b>	233,613
Cash Beginning	<b>1,129,030</b>	895,417
<b>CASH ENDING</b>	<b>\$ 3,638,066</b>	<b>\$ 1,129,030</b>

---

---

**NOTES TO FINANCIAL STATEMENTS**

---

---

**NATURE OF ORGANIZATION**

Liberty Justice Center ("the Organization"), which began operating in October 2010 and was separately incorporated in October 2011, is a nonprofit corporation organized under the laws of the State of Illinois. The Organization is a nonprofit, nonpartisan, public interest litigation center that fights to protect economic liberty, private property rights, free speech, and other fundamental rights in Illinois and beyond. First and foremost, the Organization seeks to ensure that the rights to earn a living and to start a business, which are essential to a free and prosperous society, are available not just to a politically privileged few, but to all. The Organization pursues its goals through strategic, precedent-setting litigation to revitalize constitutional restraints on government power and protections for individual rights. Revenues are derived entirely from contributions.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

**BASIS OF PRESENTATION**

In preparation of the financial statements, the Organization follows the provisions of the FASB Codification topic related to "Financial Statements of Not-for-Profit Organizations." Net assets and revenues, gains, expenses and losses are classified as with donor restriction and without donor restriction based on the existence or absence of imposed restrictions as follows:

- **Net Assets Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors.
- **Net Assets With Donor Restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As of December 31, 2021 and 2020, the Organization's net assets are comprised of both net assets with and without donor restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

## CONTRIBUTIONS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets without donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is when a stipulated item restriction ends or purpose restriction is accomplished), 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.

## DONATED SERVICES

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, such as participating on the Board of Directors or other committees that are not recognized as contributions in the financial statements since the recognition criteria were not met.

## ACCOUNTS RECEIVABLE

Accounts receivable consists entirely of an amount granted to another not-for-profit entity in error during 2021. The receivable is considered fully collectible; accordingly no allowance for doubtful accounts has been established at December 31, 2021.

## CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at fair value and are recognized in the period received. Amounts expected to be received in one year are recorded at net realizable value. The entire balance of contributions receivable are considered current and fully collectible; accordingly no allowance for doubtful accounts has been established at December 31, 2021.

## PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost (if purchased) or at estimated fair value at time of donation (if donated). Property and equipment purchased at a cost exceeding \$2,500 is capitalized. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## INCOME TAX STATUS

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except on net income derived from unrelated business activities, if any. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and Illinois exempt organization tax returns are subject to the examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

## CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalent deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits at times throughout the year. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Credit risk associated with accounts receivable is considered to be limited due to a high degree of certainty of collection by management as the Organization has obtained signed agreements by the third party to return the funds.

## FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among the programs and supporting services on either a direct functional method, when applicable, or on a reasonable basis that is consistently applied. Personnel costs are allocated based on time and effort. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions. The remaining expenses are allocated based on actual usage.

## FUTURE ACCOUNTING PRONOUNCEMENT

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash .....	\$ 3,638,066	\$ 1,129,030
Accounts Receivable .....	250,000	—
Contributions Receivable .....	300,000	—
Less: Donor Restricted Net Asset .....	<u>(594,237)</u>	<u>(50,000)</u>
	<u>\$ 3,593,829</u>	<u>\$ 1,079,030</u>

The Organization's goal is generally to maintain financial assets in reserve to meet 90 days of operating expenses (approximately \$900,000). The Organization maintains to invest excess funds in highly liquid interest-generating accounts. The Organization has no formal borrowing facilities available to it and has no material assets other than contributions receivable that can be leveraged in a short-term liquidity event.

**NOTE 3—CONCENTRATION OF REVENUES AND RECEIVABLES**

For the year ended December 31, 2021, the Organization recognized support revenue of \$4,950,000 from seven donors which represented approximately 79% of the Organization's total support and other revenue. As of December, 31, 2021, the Organization had accounts receivable totaling \$250,000 from one organization and contributions receivable totaling \$300,000 from two donors, which represents 100% of the Organization's accounts receivable and contributions receivable.

**NOTE 4—NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for certain cases and issues such as government overreach, free speech, school choice and works' rights. Funds for these cases/issues are primarily received from donations and grants. The following is a summary of net assets restricted for specific purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Government Overreach .....	\$ 42,895	\$ —
National Casework .....	—	50,000
School Choice/Free Speech .....	409,099	—
Workers' Rights .....	<u>142,243</u>	<u>—</u>
	<u>\$ 594,237</u>	<u>\$ 50,000</u>

## NOTES TO FINANCIAL STATEMENTS

**NOTE 4—NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets released from restriction by incurring expenses that met the restricted purposes:

	<u>2021</u>	<u>2020</u>
Government Overreach .....	\$ 32,105	\$ 115,024
National Casework .....	50,000	—
School Choice/Free Speech.....	165,901	5,000
Workers' Rights .....	<u>107,757</u>	<u>—</u>
	<u>\$ 355,763</u>	<u>\$ 120,024</u>

**NOTE 5—RELATED PARTY TRANSACTIONS**

The Organization had an agreement with Bearing Tree, Incorporated (BTI) whereby BTI employed all of the Organization's staff. The Organization reimbursed the actual cost of the salaries, payroll taxes and employee benefits and also paid a payroll processing service fees. In 2021, Liberty Justice Center terminated their relationship with BTI. For the year ended December 31, 2021, the amount reimbursed was approximately \$35,132. BTI is a wholly-owned subsidiary of GAA. The Chairman of GAA was also the Chairman of the Organization until December 2020.

In 2021, the Organization purchased radio ads in the amount of \$19,535 from Franklin Media Group. Franklin Media Group is a client of Bearing Tree and has a relationship with John Tillman, former board chair of Liberty Justice Center.

**NOTE 6—LEASE COMMITMENT**

The Organization leases its office facility under an 18-month lease expiring on December 31, 2022. The lease requires monthly rental payments of \$3,784 commencing July 1, 2021. The Organization is not liable for payment of utilities, real estate taxes, insurance or other common area maintenance.

Rent expense was \$21,093 for the year ended December 31, 2021 and \$10,100 for the year ended December 31, 2020, which is included in the statements of functional expenses as rent expense.

Future minimum lease payments at December 31, 2021, include \$45,408 for the year ending December 31, 2022.

**NOTE 7—RETIREMENT PLAN**

The Organization offered a voluntary tax-deferred Simple IRA plan to all full-time employees through December 31, 2020. The Organization matched up to 3% of the employee's salary. The Organization's contribution was \$38,981 in 2020.

Effective January 1, 2021, the Organization offers a voluntary tax-deferred 401(K) plan and an after-tax Roth 401(K) plan to all eligible employees. Eligible employees must be 21 years of age and completed 3 months of service. The Organization matches up to 4% of the employee's salary. The Organization's contribution was \$41,463 in 2021.

NOTES TO FINANCIAL STATEMENTS

---

---

**NOTE 8—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 29, 2022, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.