NORTHWEST CONSUMER LAW CENTER

FINANCIAL REPORT

DECEMBER 31, 2013

C O N T E N T S

petersonsullivan LLP
Certified Public Accountants
& Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northwest Consumer Law Center
Seattle, Washington

We have audited the accompanying financial statements of Northwest Consumer Law Center ("the Center") which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 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 the Center as of December 31, 2013, 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.

Peterson Sullivan LLP

March 28, 2014

601 Union Street
Suite 2300
Seattle, WA 98101

(206) 382-7777 MAIN
(206) 382.7700 FAX

pspca.com

NORTHWEST CONSUMER LAW CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS		
Current Assets		
Cash	$	119,923
Pledges receivable		650,000
Accounts receivable, net		19,757
Prepaid expenses		65
Total current assets		789,745
Trust Asset		20,009
Property and Equipment, net		20,806
Total assets	$	830,560
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	20,575
Accrued payroll		26,988
Total current liabilities		47,563
Trust Liability		20,009
Total liabilities		67,572
Net Assets		
Unrestricted		11,988
Temporarily restricted		751,000
Total net assets		762,988
Total liabilities and net assets	$	830,560

See Notes to Financial Statements

NORTHWEST CONSUMER LAW CENTER

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 3,150	$ 650,000	$ 653,150
In-kind services	70,000		70,000
Legal service fees	25,329		25,329
Net assets released from restrictions	551,000	(551,000)	
Total support and revenue	649,479	99,000	748,479
Operating Expenses			
Program	535,404		535,404
Management and general	106,495		106,495
Fund development	180		180
Total operating expenses	642,079		642,079
Change in net assets	**7,400**	**99,000**	**106,400**
Net assets, beginning of year	4,588	652,000	656,588
Net assets, end of year	$ 11,988	$ 751,000	$ 762,988

See Notes to Financial Statements

NORTHWEST CONSUMER LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Program				Supporting Services		
	Home Justice	Pro Bono Bankruptcy	Other	Total	Management and General	Fundraising	Total
Salaries and benefits	$ 276,199	$ 1,439	$ 10,070	$ 287,708	$ 71,514	$ -	$ 359,222
Professional services	73,135	381	2,668	76,184			76,184
In-kind expense	70,000			70,000			70,000
Occupancy	28,970	151	1,056	30,177	7,501		37,678
Printing, supplies, and equipment	20,953	109	764	21,826			21,826
Library and research	13,083	68	477	13,628			13,628
Continuing legal education	862	43	172	1,077	7,542		8,619
Travel	7,477	39	273	7,789			7,789
Advertising	7,221	38	263	7,522			7,522
Telephone	702	35	140	877	6,144		7,021
Depreciation	661	32	132	825	5,784		6,609
Repairs and maintenance	6,124	32	223	6,379			6,379
Dues and subscriptions	622	31	124	777	5,444		6,221
Bad debt expense	4,716	25	172	4,913			4,913
Communications	2,308	12	84	2,404			2,404
Postage	2,168	11	79	2,258			2,258
Insurance	151	58	30	239	1,266		1,505
Meals and entertainment	114	6	23	143	1,000		1,143
Bank fees	610	3	22	635			635
Business licenses	34	2	7	43	300		343
Fundraising						180	180
	$ 516,110	$ 2,515	$ 16,779	$ 535,404	$ 106,495	$ 180	$ 642,079

See Notes to Financial Statements

NORTHWEST CONSUMER LAW CENTER

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

Cash Flows from Operating Activities		
Change in net assets	$	106,400
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation		6,609
Change in allowance for accounts receivable		419
Changes in operating assets and liabilities		
Accounts receivable		(20,176)
Prepaid expenses		(65)
Accounts payable		20,575
Accrued payroll		26,988
Net cash flows from operating activities		140,750
Cash Flows from Investing Activity		
Purchase of property and equipment		(27,415)
Net change in cash		**113,335**
Cash, beginning of year		6,588
Cash, end of year	$	119,923

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Northwest Consumer Law Center ("the Center") is a not-for-profit organization, incorporated in 2011 to provide premier representation and litigation services to low- and moderate-income consumers who have limited or no other access to justice. The Center aims to ensure that Washington State consumers can protect their rights and their families.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Center has no permanently restricted net assets, so this asset class is not presented.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met.

Temporarily restricted net assets at December 31, 2013, are restricted for consumer foreclosure remedies.

Cash

Cash includes cash in checking accounts. In the normal course of business, the Center may have cash in financial institutions in excess of federally insured limits.

Trust Account

The Center receives funds from clients, which are held in trust and used to pay client fees and court costs.

Contribution Revenue / Pledges Receivable

Unconditional promises to give are recognized as revenue in the period promised as pledges receivable. Pledges receivable that are expected to be collected within one year are recorded at net realizable value.

Management reviews the collectability of pledges receivable on a periodic basis and determines the appropriate amount of any allowance. The Center charges off receivables to the allowance when management determines that a receivable is not collectible. There was no allowance necessary at December 31, 2013.

At December 31, 2013, all pledges receivable were due from one donor. For the year ended December 31, 2013, 99% of contributions are from one donor.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. The Center capitalizes expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Advertising Costs

The Center expenses its advertising costs as incurred.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center's tax returns are open to examination for the past three years.

Subsequent Events

The Center has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

Note 2. Property and Equipment

Property and equipment consists of the following at December 31:

Furniture and equipment	$	27,415
Less: accumulated depreciation		(6,609)
	$	20,806

Note 3. Related Party Transactions

Leen & O'Sullivan, PLLC ("Leen & O'Sullivan") is a for-profit law office that provides private legal services in the Pacific Northwest. Certain members of the Center's Board of Directors and the Executive Director are also owners of Leen & O'Sullivan. Additionally, Leen & O'Sullivan provides certain in-kind legal services to the Center. The revenue and expense recorded in these financial statements for these services was $70,000 in 2013.

The Center leases office space from Leen & O'Sullivan under a month to month lease. The Center's expense under this arrangement was $37,678 in 2013.

Leen & O'Sullivan charges the Center for clerical, secretarial and word processing services. The expense recognized in the financial statements for these services was $61,109 in 2013.