

**WESTERN JUSTICE CENTER  
FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

**WESTERN JUSTICE CENTER FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

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**GREEN HASSON & JANKS LLP**  
BUSINESS ADVISORS AND CPAs

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Western Justice Center Foundation

We have audited the accompanying statement of financial position of Western Justice Center Foundation (a California nonprofit public benefit corporation) as of December 31, 2006 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Western Justice Center Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the December 31, 2005 financial statements of Western Justice Center Foundation and, in our report dated March 9, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 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 Western Justice Center Foundation as of December 31, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2007 on our consideration of Western Justice Center Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Green Hasson & Janks LLP*

March 8, 2007  
Los Angeles, California

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# WESTERN JUSTICE CENTER FOUNDATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2006

With Summarized Totals at December 31, 2005

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006</u>	<u>2005 As Restated</u>
Cash and Cash Equivalents	\$ 163,831	\$ 228,093	\$ 391,924	\$ 187,613
Accounts Receivable	17,189	-	17,189	22,406
Pledges Receivable	-	36,113	36,113	52,952
Prepaid Expenses	2,038	-	2,038	7,851
Property and Equipment (Net)	<u>3,012,345</u>	<u>-</u>	<u>3,012,345</u>	<u>2,973,593</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,195,403</u></u>	<u><u>\$ 264,206</u></u>	<u><u>\$ 3,459,609</u></u>	<u><u>\$ 3,244,415</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 10,310	\$ -	\$ 10,310	\$ 27,274
Accrued Liabilities	34,110	-	34,110	28,482
Line of Credit	97,638	-	97,638	98,513
Loans Payable	-	-	-	3,000
Capital Lease Payable	<u>375,093</u>	<u>-</u>	<u>375,093</u>	<u>415,782</u>
<b>TOTAL LIABILITIES</b>	517,151	-	517,151	573,051
<b>NET ASSETS:</b>				
Unrestricted	2,678,252	-	2,678,252	2,482,902
Temporarily Restricted	<u>-</u>	<u>264,206</u>	<u>264,206</u>	<u>188,462</u>
<b>TOTAL NET ASSETS</b>	<u><u>2,678,252</u></u>	<u><u>264,206</u></u>	<u><u>2,942,458</u></u>	<u><u>2,671,364</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,195,403</u></u>	<u><u>\$ 264,206</u></u>	<u><u>\$ 3,459,609</u></u>	<u><u>\$ 3,244,415</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

# WESTERN JUSTICE CENTER FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

With Summarized Totals for the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	2006	2005 As Restated
<b>REVENUE AND SUPPORT:</b>				
Contributions and Grants	\$ 364,470	\$ 255,000	\$ 619,470	\$ 338,403
Rental Income	320,854	-	320,854	301,092
Training Income	98,755	-	98,755	62,125
Dividend Income	693	-	693	1,182
Contributions In-Kind	42,315	-	42,315	-
Other Income	-	-	-	385
Loss on Disposal of Property and Equipment	(20,000)	-	(20,000)	-
Net Assets Released from Program Restrictions	179,256	(179,256)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>986,343</b>	<b>75,744</b>	<b>1,062,087</b>	<b>703,187</b>
<b>EXPENSES:</b>				
Program Services	611,991	-	611,991	532,363
Management and General	107,860	-	107,860	78,216
Fundraising	71,142	-	71,142	52,722
<b>TOTAL EXPENSES</b>	<b>790,993</b>	<b>-</b>	<b>790,993</b>	<b>663,301</b>
<b>CHANGE IN NET ASSETS</b>	<b>195,350</b>	<b>75,744</b>	<b>271,094</b>	<b>39,886</b>
Net Assets - Beginning of Year (As Restated)	2,482,902	188,462	2,671,364	2,631,478
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,678,252</b>	<b>\$ 264,206</b>	<b>\$ 2,942,458</b>	<b>\$ 2,671,364</b>

The Accompanying Notes are an Integral Part of These Financial Statements

## WESTERN JUSTICE CENTER FOUNDATION

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006

With Summarized Totals for the Year Ended December 31, 2005

	Program Services	Management and General	Fundraising	Total Expenses	
				2006	2005 As Restated
Salaries	\$ 217,866	\$ 37,266	\$ 31,533	\$ 286,665	\$ 226,152
Employee Benefits	22,454	3,841	3,250	29,545	30,065
Payroll Taxes	20,129	3,443	2,913	26,485	19,129
<b>TOTAL PERSONNEL COSTS</b>	<b>260,449</b>	<b>44,550</b>	<b>37,696</b>	<b>342,695</b>	<b>275,346</b>
Depreciation and Amortization	84,176	14,398	12,183	110,757	86,869
Consultants	81,411	2,354	1,210	84,975	82,299
Facilities Expenses	62,312	10,659	9,019	81,990	82,337
Interest and Bank Charges	27,857	4,765	4,032	36,654	39,947
In-Kind Expense	28,815	8,500	-	37,315	-
Office Expenses	14,442	2,422	1,765	18,629	23,147
Conferences and Meetings	14,882	2,258	227	17,367	19,037
Insurance	9,975	1,706	1,444	13,125	17,188
Telephone	9,837	1,683	1,424	12,944	9,948
Bad Debts	-	11,580	-	11,580	5,861
Computer	8,177	1,399	1,183	10,759	4,999
Equipment	3,140	537	455	4,132	7,994
Miscellaneous	2,816	425	30	3,271	3,655
Postage and Delivery	2,443	409	292	3,144	4,028
Travel	1,259	215	182	1,656	646
<b>TOTAL 2006 FUNCTIONAL EXPENSES</b>	<b>\$ 611,991</b>	<b>\$ 107,860</b>	<b>\$ 71,142</b>	<b>\$ 790,993</b>	
<b>TOTAL 2005 FUNCTIONAL EXPENSES</b>	<b>\$ 532,363</b>	<b>\$ 78,216</b>	<b>\$ 52,722</b>		<b>\$ 663,301</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# WESTERN JUSTICE CENTER FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

With Summarized Totals for the Year Ended December 31, 2005

	2006	2005 As Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 271,094	\$ 39,886
Adjustments to Reconcile Change in Net Assets		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	110,757	86,869
Provision for Bad Debts	11,580	5,861
Loss on Disposal of Property and Equipment	20,000	-
(Increase) Decrease in:		
Accounts Receivable	5,217	(22,318)
Pledges Receivable	5,259	38,346
Prepaid Expenses	5,813	(4,763)
Increase (Decrease) in:		
Accounts Payable	(16,964)	13,662
Accrued Liabilities	5,628	(33,023)
	<b>418,384</b>	<b>124,520</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(169,509)	(32,419)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Repayments on Line of Credit	(875)	1,094
Repayment of Loans Payable	(3,000)	(32,577)
Repayment of Capital Lease Payable	(40,689)	(38,573)
	<b>(44,564)</b>	<b>(70,056)</b>
	<b>204,311</b>	<b>22,045</b>
Cash and Cash Equivalents - Beginning of Year	187,613	165,568
	<b>\$ 391,924</b>	<b>\$ 187,613</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Cash Paid During the Year for Interest	\$ 33,302	\$ 36,790

The Accompanying Notes are an Integral Part of These Financial Statements

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 1 - ORGANIZATION

The Western Justice Center Foundation (WJCF), a non-profit corporation strives to create a more civil society through a process of engagement and education that will enable individuals and institutions to become partners in peace-building. WJCF does this by working on local, regional and national projects with children, communities, schools, governments and courts to assure peaceful conflict resolution and improve access to justice.

WJCF's vision emerged in 1985, when the Honorable Dorothy W. Nelson and a group of judges and lawyers from the U.S. Court of Appeals for the 9th Circuit saw an unmet need to expand the quantity and quality of research into dispute resolution methods and strategies for improving the administration of justice. In 1996, WJCF became fully operational. Its campus-like complex is home to 17 tenant non-profit organizations that all have an interest in children, the arts, conflict resolution and public policy. WJCF's four historic buildings constitute an extraordinary western landmark that is listed in the National Registry of Historic Places. The Friends Building, the Keatinge Building and 65 South Grand have been completely restored. The fourth and largest building, Maxwell House, serves as the permanent headquarters and conference center for WJCF and is expected to be fully restored in 2007.

On the local level, WJCF has implemented groundbreaking programs in the area of inter-ethnic dialogue and deliberation. It was one of the first organizations to use the Internet for dialogue in collaboration with America On-Line. WJCF continues this tradition of using large scale intervention approaches to resolve the most urgent conflicts of our time.

WJCF works on the regional level to provide education on the impact of conflict resolution systems and their use during times of discord. In response to the surge in violence in our state and local schools, WJCF made a presentation of research findings on the use of these systems to the California Assembly Select Committee in 2005.

WJCF regularly contributes to the national discourse on issues of conflict resolution and develops innovative conflict resolution models. Last year, the Executive Director was appointed to the National Coalition for Dialogue and Deliberation, where members believe that elevating the quality of thinking and communication in organizations and among citizens is key to solving humanity's most pressing problems.

WJCF current program initiatives include the following:

- **Conflict Resolution Education**
  - **Healthy Families Cooperative** Initially funded by First 5 LA, the Los Angeles County-wide Healthy Families Cooperative is comprised of the Western Justice Center; Children's Hospital Los Angeles – Child Health Works; Camino Nuevo Charter Academy Early Childhood Program; Inter-Agency Drug Abuse Recovery Program; Little Company of Mary, Community Health; LAUSD Parents & Infants who are Visually Impaired Together (PIVIT) –IPSS; Singing Foundation Preschool & Infant Care; and Tapia Family Childcare

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 1 - ORGANIZATION (continued)

#### ▪ **Conflict Resolution Education (continued)**

D.A.E.P. Working together, this collaboration will develop peaceful conflict resolution teaching tools to promote strength-based and effective methods of parenting. Academic partners for this project are Pacific Oaks College and Pacific Oaks Children's School. Evaluation partners are Center for Improving Childcare Quality at UCLA Graduate School of Education and Center for Educational Studies at Claremont Graduate School. As part of this systems design, the Western Justice Center will develop a multi-lingual DVD tool that will have a long-lasting, global impact for children 0-5.

- **Conflict Resolution Education for Special Education Students** Based on WJCF's success in resolving conflict and decreasing violence at Cleveland Elementary School in Pasadena, WJCF will undertake a two to three year commitment with Roosevelt Elementary School, also in Pasadena, to design a conflict resolution education system for faculty, staff, students and parents. While mirroring the ethnic and cultural demographics of Pasadena Unified School District's other schools, 30% of the Roosevelt Elementary student population is moderately to very severely disabled. This pilot program is expected to be replicated nationally.
- **Peer Mediation Invitational** An annual event involving teams of children and youth from schools throughout LA County. This program pairs experienced mediators, corporate and civic leaders with students for a one day mentorship and role playing experience in mock mediation settings.
- **Children's Workshop** An interactive learning environment where elementary school children can safely investigate and master their responses to conflict. Features the animated character, Ouch the Eggs. Students can experience the workshop while on a field trip to the WJCF headquarters.
- **Court Workshops** Federal judges leads children through litigation and mediation scenarios, with children playing all the roles.

#### ▪ **Community Engagement**

- **Community Police Mediation and Dialogue** Begun in 2005, The Pasadena Model of community mediation and dialogue is a collaborative partnership among WJCF, the Pasadena Police Department and six other community-based organizations. It is the only program of its kind in Los Angeles County developed to mediate civilian complaints against police officers while simultaneously building community relations through facilitated dialogue sessions. The Pasadena Model is expected to be replicated within divisions of other police departments in 2007.

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 1 - ORGANIZATION (continued)

- **Community Engagement** (continued)

A year long spike in inter-group conflicts resulted in a rash of hate crimes and three homicides in Pasadena in August – early September 2006. WJCF was asked to serve as facilitator for an inter-group relations advisory committee and to also advise the Pasadena City Manager’s office on the creation of a work plan to address Pasadena’s needs for involving community, civic and elected leadership in the process of responding to issues within inter-group relations.

- **The ECO Program** In 2005, University of California at Los Angeles (UCLA) awarded WJCF a Community Partnership grant to fund a collaborative partnership between WJCF, the UCLA Institute of the Environment, and the UCLA School of Law’s Evan Frankel Environmental Law and Policy Program. This partnership was to explore the application of conflict resolution techniques to environmental controversies. WJCF was able to research the efficacy of environmental mediation for low income and minority communities and the circumstances surrounding the successful negotiation of landmark Community Benefit Agreements relating to the Staples Center and Los Angeles International Airport expansion efforts.

Going forward, WJCF’s Environment and Public Policy Program will focus on improving civil society through building the capacity of individuals, communities, and institutions to engage in meaningful public discourse on environmental issues.

- **New Models of Justice** Ninth Circuit Education Programs on Court Sponsored Alternative Dispute Resolution with support from The JAMS Foundation and the oversight of The Ninth Circuit ADR Committee, WJCF shepherded the development of Education Programs on Court Sponsored ADR: Model Programs and Guide to Resources. All Chief District Judges in the Ninth Circuit were provided with this Guide to assist each district in planning programs to implement the use of ADR in each district.
- **Conflict Resolution Systems Design** WJCF acts as a consultant offering technical assistance and training, and makes presentations to public and private institutions, schools, organizations and other entities that are interested in local, national and international conflict resolution systems design. Any capacity-building training is tailored to the needs of the client.

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **BASIS OF PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) **ACCOUNTING**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of WJCF are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** WJCF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. WJCF has \$264,206 of temporarily restricted net assets at December 31, 2006.
- **Permanently Restricted Net Assets.** These net assets are received by donors who stipulate that resources are to be maintained permanently, but permit WJCF to expend all of the income (or other economic benefits) derived from the donated assets. WJCF has no permanently restricted net assets at December 31, 2006.

(c) **CASH AND CASH EQUIVALENTS**

WJCF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. All accounts receivable are deemed to be fully collectible at December 31, 2006; therefore, no allowance for doubtful accounts has been recorded.

#### (e) PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period received. WJCF reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. As all pledges are deemed collectible at December 31, 2006, no allowance for doubtful pledges has been recorded.

#### (f) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Estimated useful lives are as follows:

Land Leasehold	91 Years
Building Improvements	40 Years
Furniture and Fixtures	7 Years
Equipment	5 Years

Property and equipment are capitalized if the cost is greater than or equal to \$2,000 and the useful life is greater than one year.

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(f) PROPERTY AND EQUIPMENT (continued)**

In addition, during the year ended December 31, 1997, WCJF entered into a lease agreement with the City of Pasadena for use of land and buildings with an initial maturity of April 1, 2044, at which time WCJF has renewal options extending through April 1, 2088. The intention of the lease agreement was for WCJF to substantially renovate the buildings, and therefore all consideration paid was deemed to be related to the land lease. At the time of the lease, WCJF paid \$467,736 which is being amortized over the term of the lease, including extensions, of 91 years. At December 31, 2006, WCJF has included this lease consideration in Property and Equipment, with accumulated amortization of \$55,255, and a net unamortized value of \$412,481. Current year amortization expense is \$5,140, see Note 7 and 10.

**(g) CONCENTRATION OF CREDIT RISKS**

WCJF places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. WCJF has not incurred losses related to these investments.

**(h) CONTRIBUTED SERVICES**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. As of December 31, 2006, WCJF received donated legal services of \$8,500 and other donated services of \$28,815. WCJF also received donated property and equipment of \$5,000.

In addition, some unpaid volunteers have made contributions of their time to WCJF. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

**(i) INCOME TAXES**

WCJF is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

**(j) FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provided for the overall support and direction of WCJF.

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented.

#### (l) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with WJCF's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

#### (m) RECLASSIFICATION

Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

### NOTE 3 - PLEDGES RECEIVABLE

At December 31, 2006, all unconditional promises to give of \$36,113 are expected to be received in less than one year and are deemed collectible.

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2006 consist of the following:

Building Improvements	\$ 2,788,956
Land Leasehold	467,736
Antique Furniture and Library Books	15,407
Furniture and Fixtures	210,877
Equipment	96,540
Construction in Progress	<u>107,242</u>
<b>TOTAL</b>	<b>3,686,758</b>
Less: Accumulated Depreciation and Amortization	<u>(674,413)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 3,012,345</u></b>

Depreciation and amortization expense was \$110,757 for the year ended December 31, 2006. Construction in progress relates to the building of two bathrooms which are anticipated to be completed in May 2007. Cost to complete is estimated at \$180,000.

**WESTERN JUSTICE CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**NOTE 5 - ACCRUED LIABILITIES**

Accrued liabilities at December 31, 2006 consist of the following:

Security Deposits (Tenants)	\$ 21,733
Accrued Vacation	12,030
Other Accrued Liabilities	<u>347</u>
<b>TOTAL ACCRUED LIABILITIES</b>	<b><u>\$ 34,110</u></b>

**NOTE 6 - LINE OF CREDIT**

WJCF has an unsecured \$100,000 line of credit from a bank. The line of credit bears interest at the lender's prime rate (9% at December 31, 2006) plus 3.25% per annum with interest payable monthly. Advances outstanding against this line of credit were \$97,638 as of December 31, 2006.

**NOTE 7 - CAPITAL LEASE PAYABLE**

WJCF leases its facilities from the City of Pasadena under the terms of a non-cancelable capital lease of which payments are made in the form of "monthly base rent and monthly tenant improvement rent."

Pursuant to the Third Amendment to the Lease Agreement dated July, 1994, WJCF pays capital lease payments in the form of base rent of \$1,553 per month and tenant improvement payments of \$3,610 per month including interest at the rate of 5.40% and 5.33% per annum over 16 years, respectively. Thereafter, until the end of the lease term, the rent will be \$1 per month. The original lease term ends April 1, 2044, at which time WJCF has renewal options extending through April 1, 2088.

The following is a schedule of future minimum lease payments, including principal and interest:

**Years Ending December 31**

2007	\$ 61,953
2008	61,953
2009	61,953
2010	61,953
2011	61,953
Thereafter	<u>144,557</u>
<b>TOTAL</b>	<b>454,322</b>
Less: Amount Representing Interest	<u>(79,229)</u>
<b>CAPITAL LEASE PAYABLE</b>	<b><u>\$ 375,093</u></b>

# WESTERN JUSTICE CENTER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE 7 - CAPITAL LEASE PAYABLE (continued)

As of December 31, 2006, the gross amount of assets and accumulated amortization recorded under this capital lease totaled \$467,736 and \$55,255, respectively. Amortization expense related to these assets for 2006 was \$5,140. Interest paid during 2006 in connection with the above lease was \$21,263.

WJCF subleases portions of its facilities to other nonprofit organizations. Lease rates are adjusted annually based upon changes in the Consumer Price Index. Rents received during 2006 totaled \$320,854.

The expected future minimum lease receipts for each of the years succeeding December 31, 2006 based solely upon existing leases and the expiration dates of those leases, not including revenue associated with any new leases, are as follows:

#### Years Ending December 31

2007	\$	232,327
2008		92,580
2009		<u>24,880</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>349,787</u></b>

### NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2006 consist of the following:

Renovation of Maxwell House	\$	244,037
Conference Center		<u>20,170</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$</b>	<b><u>264,206</u></b>

### NOTE 9 - PENSION PLAN

WJCF has a deferred compensation plan whereby WJCF contributes 3% of the annual gross earnings of eligible employees. Pension expenses charged to operations for the year ended December 31, 2006 was \$13,396.

**WESTERN JUSTICE CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**NOTE 10 - PRIOR PERIOD ADJUSTMENT**

The financial statements for the year ended December 31, 2005 have been restated to record amortization on the leased facility mentioned in Note 2(f) and Note 7. This facility was incorrectly categorized as land in prior years without previous amortization. The correction is to increase accumulated amortization of the land leasehold for the leased period from 1997 to January 1, 2005. The effect of the restatement of beginning net assets is summarized as follows:

Beginning Net Assets at January 1, 2005 as Previously Reported	\$ 2,676,024
To record the Amortization of Land Leasehold	<u>(44,546)</u>
<b><i>BEGINNING NET ASSETS AS RESTATED AT JANUARY 1, 2005</i></b>	<b><u><u>\$ 2,631,478</u></u></b>

**NOTE 11 - CONDITIONAL GRANTS**

As of December 31, 2006, WJCF has received a conditional grant for \$100,000 related to the renovation of a building. This amount is contingent upon WCJF raising \$660,000 for the project by December 2007 when substantial construction will commence. Due to the conditional nature of his grant with conditions not yet satisfied as of December 31, 2006, no amount has been recorded in the accompanying financial statements.