

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
AND
INDEPENDENT AUDITORS' REPORT

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Philadelphia Lawyers for Social Equity
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Philadelphia Lawyers for Social Equity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 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.

Auditors' 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 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 Organization'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 Organization'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 Philadelphia Lawyers for Social Equity as of June 30, 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.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
October 18, 2021

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS	
Cash and cash equivalents	\$ 443,089
Grants and contributions receivable	91,130
Prepaid and other assets	12,744
Total assets	\$ 546,963
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 2,119
Accrued payroll and other liabilities	52,050
Deferred revenue	48,000
Total liabilities	102,169
Commitments	
Net assets	
Without donor restrictions	
Undesignated	121,758
Board designated - reserve fund	160,554
Total without donor restrictions	282,312
With donor restrictions	162,482
Total net assets	444,794
Total liabilities and net assets	\$ 546,963

See notes to financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Foundation	\$ 49,023	\$ 347,407	\$ 396,430
Government grants	-	75,000	75,000
Other	110,623	-	110,623
Program services	124,180	-	124,180
Other income	376	-	376
Gain on forgiveness of debt	62,214	-	62,214
Net assets released from restriction	340,591	(340,591)	-
Total support and revenue	687,007	81,816	768,823
Expenses			
Program services			
Expungement	110,040	-	110,040
Pardons	278,930	-	278,930
Community	194,625	-	194,625
	583,595	-	583,595
Supporting services			
Management and general	78,274	-	78,274
Fundraising	21,731	-	21,731
	100,005	-	100,005
Total expenses	683,600	-	683,600
Changes in net assets	3,407	81,816	85,223
Net assets, beginning of year	278,905	80,666	359,571
Net assets, end of year	\$ 282,312	\$ 162,482	\$ 444,794

See notes to financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services				Total Expenses
	Expungement	Pardons	Community	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Payroll	\$ 80,932	\$ 168,135	\$ 149,698	\$ 398,765	\$ 42,663	\$ 17,668	\$ 60,331	\$ 459,096	
Payroll taxes and employee benefits	12,647	29,328	23,641	65,616	8,429	3,684	12,113	77,729	
	93,579	197,463	173,339	464,381	51,092	21,352	72,444	536,825	
Advertising and promotion	1,865	2,033	2,412	6,310	-	-	-	6,310	
Bank fees	-	-	-	-	714	-	714	714	
Consulting	-	20,150	-	20,150	-	-	-	20,150	
Dues and subscriptions	830	905	1,073	2,808	-	-	-	2,808	
Information technology	1,494	1,628	1,932	5,054	907	-	907	5,961	
Insurance	879	958	1,136	2,973	554	35	589	3,562	
Interest	-	-	-	-	449	-	449	449	
Miscellaneous	1,405	32,531	1,818	35,754	4,706	-	4,706	40,460	
Office	4,283	4,668	5,538	14,489	2,699	172	2,871	17,360	
Professional fees	1,182	13,664	1,529	16,375	14,447	-	14,447	30,822	
Rent	4,293	4,679	5,550	14,522	2,706	172	2,878	17,400	
Travel	230	251	298	779	-	-	-	779	
Total expenses	\$ 110,040	\$ 278,930	\$ 194,625	\$ 583,595	\$ 78,274	\$ 21,731	\$ 100,005	\$ 683,600	

See notes to financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities	
Changes in net assets	\$ 85,223
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Gain on forgiveness of debt	(62,214)
Changes in operating assets and liabilities:	
Grants and contributions receivable	(19,979)
Prepaid and other assets	(3,800)
Accounts payable and accrued expenses	2,570
Accrued payroll and other liabilities	3,332
Deferred revenue	48,000
Net cash provided by operating activities	53,132
Net increase in cash and cash equivalents	53,132
Cash and cash equivalents, beginning of year	389,957
Cash and cash equivalents, end of year	\$ 443,089

See notes to financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

Organization and Nature of Activities

Philadelphia Lawyers for Social Equity (the "Organization"), is a nonprofit organization who seeks a more equitable social environment for those with criminal records through individual representation, strategic litigation, community education, research and advocacy. The Organization does this by seeking expungements in criminal court and pardons from the Governor; educating elected, business and community leaders; empowering and organizing under-resourced communities, and leading legislative, administrative and systemic reform.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect the accounts of the Organization and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and presented in accordance with Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*.

Support and Revenue Recognition

The Organization determines the amount of revenue to be recognized from contracts with customers through application of the following steps:

- Identification of the contract, or contracts with customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and recognition of revenue when or as the Organization satisfies the performance obligations.

Program revenues consist of contracts that require the Organization to perform clinics and training events in the community and to local businesses. The revenue for these contracts is earned at a point in time when the training event occurs and amounted to \$124,180 for the year ended June 30, 2021.

On occasion, the Organization will refer a litigation case to a law firm to pursue on behalf of an individual or entity. The Organization at the time will enter into an agreement with the law firm to obtain a referral fee contingent upon the settlement or award obtained at the conclusion of the litigation. This referral fee revenue is earned at a point in time when the legal matter is settled. There was no such agreements for the year ended June 30, 2021.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support is recognized in accordance with ASC 958, *Not-for-Profit Entities*, (Topic 958). The Organization recognizes contributions when cash is received. Contributions and grants received are recorded as support with or without restrictions depending on the existence and/or nature of any donor restrictions.

Contributions and Grants – In accordance with ASC 958, grants awarded to the Organization which are generally considered nonreciprocal transactions restricted by funders/supporters for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the grant agreements are met. Unconditional promises to give cash and other assets to the Organization are reported as contributions and grants and recorded at fair value on the date the promise is received. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received for specific purposes or with donor stipulations are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. From time to time, the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Organization has board designated net assets of \$160,554 as of June 30, 2021.

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 or purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 revenues, gains, other support, and expenses during the reporting period. Actual results could differ from those estimates.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Grants and Contributions Receivable

Grants and contributions receivable are reported at the amount management expects to collect from outstanding balances at year-end. The Organization's management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2021. At June 30, 2021, the receivables are due within one year.

Deferred Revenue

Deferred revenue consists primarily of program revenues received but not earned as of the date of the statement of financial position. Deferred revenues will be earned as the program conditions are met.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$6,310 for the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. Salaries, employee benefits and payroll taxes are allocated based on estimates of time and effort incurred by personnel. All other expenses are allocated based upon time and effort by personnel or another appropriate method as determined by management.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3), and is exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law. The Organization is not a private foundation.

Gain on Forgiveness of Debt

The Organization received a loan, under the Paycheck Protection Program, (the "PPP Loan"), which was subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent, and covered utility payments incurred by the Organization.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gain on Forgiveness of Debt (Continued)

The PPP loan was forgiven as of June 30, 2021, and the Organization recognized a gain on debt forgiveness of \$62,214.

3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available within one year of the statement of financial position date as of June 30, 2021 for general expenditure are as follows:

Cash and cash equivalents	\$	443,089
Grants and contributions receivable		91,130
<hr/>		
Total financial assets available within one year		534,219
Less: amounts unavailable for general expenditures within one year, due to		
Restricted by donor for specific purpose		(162,482)
Unavailable to management without Board’s approval		(160,554)
<hr/>		
Total amounts unavailable for general expenditure within one year		(323,036)
Total financial assets available to management for general expenditure within one year	\$	211,183

The Organization’s financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and program expenditures in fiscal year 2022.

The Organization has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the above qualitative information for financial assets to meet general expenditures within one year.

Liquidity Management

Management and the Board of Directors provide guidance and oversight for the management of cash and cash equivalents. The Organization maintains an adequate level of cash to meet on-going operational requirements and excess cash may be invested in investments.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

4 – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization’s net assets without donor restrictions comprised of undesignated and Board designated amount for the following purposes at:

	June 30, 2021
Undesignated	\$ 121,758
Board designated – reserve fund	160,554
	\$ 282,312

Without restrictions, Board Designated Funds

During the fiscal year ended June 30, 2021, The Board has designated funds, equivalent to approximately 3 months’ worth of operating expenses, as a Reserve Fund and adopted a policy related to the maintenance and use of those funds. The purpose of this Reserve Fund Policy is to ensure the fiscal soundness of the Organization and to provide a source of internal funds for organizational priorities. The Reserve Fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. This designated balance at June 30, 2021 was \$160,554.

5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	June 30, 2021
Subject to expenditure for specified purposes:	
Expungement, Pardon & Community Education	\$ 45,546
Pardon Program	116,936
	\$ 162,482

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

	Year Ended June 30, 2021
Purpose restrictions accomplished	
Expungement, Pardon & Community Education	\$ 206,551
Pardon program	134,040
	\$ 340,591

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

6 – COMMITMENTS

The Organization leased office space on a month-to-month basis until February 2021. The Organization began leasing new office space on March 1, 2021 under a one year noncancelable lease through February 28, 2022. Rent expense for office space including shared utilities and other costs for the year ended June 30, 2021 was \$17,400.

7 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation (FDIC). These accounts are protected by the FDIC up to \$250,000. At times, during the year these balances may exceed FDIC limits; however, the Organization has not experienced any losses in such accounts.

8 – UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has not identified any material uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements.

9 – RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus (“COVID-19”) around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its future operations.

10 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 18, 2021, the date on which the financial statements were available to be issued.