

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**FINANCIAL STATEMENTS  
CASH BASIS**

**YEARS ENDED JUNE 30, 2019 and 2018**

**AND**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**FRIEDMAN LLP<sup>®</sup>**  
**ACCOUNTANTS AND ADVISORS**

# PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Philadelphia Lawyers for Social Equity (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – cash basis as of June 30, 2019 and 2018, and the related statements of support, revenue, expenses and changes in net assets – cash basis, and functional expenses – cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Accountants' Responsibility**

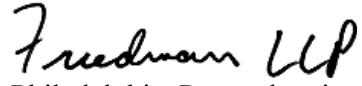
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

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

Philadelphia, Pennsylvania

October 10, 2019

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash	\$ 85,660	\$ 46,074
Total assets	\$ 85,660	\$ 46,074
 <b>Commitments</b>		
 <b>Net assets</b>		
Without donor restrictions	\$ 58,137	\$ 45,074
With donor restrictions	27,523	1,000
Total net assets	\$ 85,660	\$ 46,074

See notes to financial statements and Independent Accountants' Review Report.

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**STATEMENTS OF SUPPORT, REVENUES AND EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS**

**June 30,**

	<b>2019</b>			<b>2018</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Grants and contracts	\$ -	\$ -	\$ -	\$ 18,795	\$ -	\$ 18,795
Contributions						
Foundation	87,406	151,720	239,126	46,500	-	46,500
Other	49,263	2,200	51,463	70,230	1,000	71,230
Program services	80,750	-	80,750	43,767	-	43,767
Net assets released from restriction	127,397	(127,397)	-	-	-	-
<b>Total support and revenue</b>	<b>344,816</b>	<b>26,523</b>	<b>371,339</b>	<b>179,292</b>	<b>1,000</b>	<b>180,292</b>
<b>Expenses</b>						
Program services						
Expungement	108,503	-	108,503	74,868	-	74,868
Pardons	114,429	-	114,429	28,516	-	28,516
Community	62,696	-	62,696	28,468	-	28,468
	285,628	-	285,628	131,852	-	131,852
Supporting services						
Management and general	26,743	-	26,743	9,657	-	9,657
Fundraising	19,382	-	19,382	3,564	-	3,564
	46,125	-	46,125	13,221	-	13,221
<b>Total expenses</b>	<b>331,753</b>	<b>-</b>	<b>331,753</b>	<b>145,073</b>	<b>-</b>	<b>145,073</b>
Change in net assets	13,063	26,523	39,586	34,219	1,000	35,219
Net assets, beginning of year	45,074	1,000	46,074	10,855	-	10,855
<b>Net assets, end of year</b>	<b>\$ 58,137</b>	<b>\$ 27,523</b>	<b>\$ 85,660</b>	<b>\$ 45,074</b>	<b>\$ 1,000</b>	<b>\$ 46,074</b>

See notes to financial statements and Independent Accountants' Review Report.

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**STATEMENTS OF FUNCTIONAL EXPENSES - CASH BASIS**

	Years ended June 30,							2019 Total Expenses	2018 Total Expenses
	Program Services			Supporting Services					
	Expungement	Pardons	Community	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Payroll	\$ 75,203	\$ 42,820	\$ 41,928	\$ 159,951	\$ 1,282	\$ 1,424	\$ 2,706	\$ 162,657	\$ 96,879
Payroll taxes and employee benefits	12,191	6,941	6,797	25,929	-	-	-	25,929	16,543
	87,394	49,761	48,725	185,880	1,282	1,424	2,706	188,586	113,422
Advertising and promotion	1,810	1,031	1,009	3,850	-	-	-	3,850	-
Bank fees	-	-	-	-	-	-	-	-	247
Consulting	1,796	53,670	-	55,466	16,162	17,958	34,120	89,586	10,800
Dues and subscriptions	1,333	759	743	2,835	-	-	-	2,835	1,790
Event	-	-	-	-	-	-	-	-	2,050
Information technology	977	557	545	2,079	-	-	-	2,079	-
Insurance	1,828	1,041	1,020	3,889	-	-	-	3,889	1,673
Miscellaneous	1,339	762	747	2,848	3,473	-	3,473	6,321	1,763
Office	2,966	1,689	1,654	6,309	-	-	-	6,309	3,128
Professional fees	3,538	2,015	5,173	10,726	5,826	-	5,826	16,552	2,203
Rent	4,953	2,820	2,762	10,535	-	-	-	10,535	6,780
Travel	569	324	318	1,211	-	-	-	1,211	1,217
<b>Total expenses</b>	<b>\$ 108,503</b>	<b>\$ 114,429</b>	<b>\$ 62,696</b>	<b>\$ 285,628</b>	<b>\$ 26,743</b>	<b>\$ 19,382</b>	<b>\$ 46,125</b>	<b>\$ 331,753</b>	<b>\$ 145,073</b>

See notes to financial statements and Independent Accountants' Review Report.

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**  
**STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS**

**Year ended June 30, 2018**

	<b>Program Services</b>			<b>Supporting Services</b>				<b>Total Expenses</b>
	<b>Expungement</b>	<b>Pardons</b>	<b>Community</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Payroll	\$ 55,755	\$ 19,771	\$ 21,353	\$ 96,879	\$ -	\$ -	\$ -	\$ 96,879
Payroll taxes and employee benefits	9,521	3,376	3,646	16,543	-	-	-	16,543
	65,276	23,147	24,999	113,422	-	-	-	113,422
Bank fees	-	-	-	-	247	-	247	247
Consulting	540	2,160	-	2,700	4,536	3,564	8,100	10,800
Dues and subscriptions	1,030	365	395	1,790	-	-	-	1,790
Event	-	-	-	-	2,050	-	2,050	2,050
Insurance	963	341	369	1,673	-	-	-	1,673
Miscellaneous	657	233	252	1,142	621	-	621	1,763
Office	1,800	638	690	3,128	-	-	-	3,128
Professional fees	-	-	-	-	2,203	-	2,203	2,203
Rent	3,902	1,384	1,494	6,780	-	-	-	6,780
Travel	700	248	269	1,217	-	-	-	1,217
<b>Total expenses</b>	<b>\$ 74,868</b>	<b>\$ 28,516</b>	<b>\$ 28,468</b>	<b>\$ 131,852</b>	<b>\$ 9,657</b>	<b>\$ 3,564</b>	<b>\$ 13,221</b>	<b>\$ 145,073</b>

See notes to financial statements and Independent Accountants' Review Report.



# 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 whose purpose is to address the collateral consequences arising from the creation, dissemination, and destruction of criminal records in Pennsylvania. As a part of this mission, its Criminal Record Expungement Project not only provides educational presentations but also limited direct representation for qualifying low-income individuals.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the Organization have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accounting in the United States of America. Under that basis, support and revenue are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. That basis differs from generally accepted accounting principles because the Organization has not recognized contributions receivable from donors and accounts payable to vendors and the related effects on changes in net assets in the accompanying financial statements.

#### **Basis of Presentation**

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets. The guidance replaces the three classes of net assets previously presented on the statement of assets, liabilities and net assets with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. The Organization has adopted ASU 2016-14 for its fiscal year ended June 30, 2019.

The provisions of ASU 2016-14 improve presentation and disclosure to provide more relevant information about resources and changes in resources to donors, grantors and other users. There are qualitative and quantitative requirements in several areas including the following:

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restriction. The unrestricted net asset class has been renamed net assets without donor restrictions. The chart below illustrates the impact, caused by adopting ASU No. 2016-14, on classifications of July 1, 2017 net asset balances as follows:

	Opening net asset reclassification for ASU No. 2016-14		
Net Asset Classifications	Without donor restrictions	Without donor restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 10,855	\$ -	\$ 10,855
Temporarily Restricted	-	-	-
Permanently Restricted	-	-	-
Net Assets, as reclassified	\$ 10,855	\$ -	\$ 10,855

**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. The net assets whose use is restricted by the Board of Directors are also included within net assets without donor restrictions. The Organization had no board restricted net assets at June 30, 2019.

***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.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

# PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Grants and Contributions**

Grants and contributions received are recorded as with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. Grants and contributions are recorded upon receipt.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statements of support, revenues, and expenses – cash basis, as net assets released from restrictions.

#### **In-kind Contributions**

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. The in-kind support reflected in the accompanying financial statements is included in contribution revenue and is offset by like amounts included in expenses. For the years ended June 30, 2019 and 2018, the Organization received \$5,708 and \$850 in donated services, respectively.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon an average of all employee efforts as a percentage of their time spent on each program or supporting service.

#### **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.

### 3 - COMMITMENTS

The Organization leases office space under a long-term noncancelable lease through June 30, 2020. Rent expense for office space including shared utilities and other costs for the year ended June 30, 2019 was \$10,535.

**PHILADELPHIA LAWYERS FOR SOCIAL EQUITY**

**NOTES TO FINANCIAL STATEMENTS**

**3 – COMMITMENTS (CONTINUED)**

Future minimum payments required under the above noncancelable operating lease as of June 30, 2019 are as follows:

<u>Year ending June 30,</u>	
2020	\$ 14,520
	<u>\$ 14,520</u>

**4 – NET ASSETS WITH DONOR RESTRICTIONS**

With donor restrictions net assets as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Lenfest Foundation	\$ 25,000	\$ -
Oak Foundation	2,523	-
Mike Lee Fellowship	-	1,000
	<u>\$ 27,523</u>	<u>\$ 1,000</u>

**5 – 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.

**6 – SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 10, 2019, the date on which the financial statements were available to be issued.