

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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 statement of financial position as of June 30, 2020, 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. 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 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.

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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, 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 accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania

October 21, 2020

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS	
Cash and cash equivalents	\$ 389,957
Grants and contributions receivable	71,151
Prepaid and other assets	8,944
Total assets	\$ 470,052
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 101
Accrued payroll and other liabilities	48,718
Note payable	61,662
Total liabilities	110,481
Commitments	
Net assets	
Without donor restrictions	
Undesignated	143,638
Board designated - reserve fund	135,267
Total without donor restrictions	278,905
With donor restrictions	80,666
Total net assets	359,571
Total liabilities and net assets	\$ 470,052

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

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Foundation	\$ 100,342	\$ 287,500	\$ 387,842
Donated services	99,375	-	99,375
Other	165,260	-	165,260
Program services	47,080	-	47,080
Referral fees	176,544	-	176,544
Other income	271	-	271
Net assets released from restriction	240,507	(240,507)	-
Total support and revenue	829,379	46,993	876,372
Expenses			
Program services			
Expungement	199,864	-	199,864
Pardons	222,442	-	222,442
Community	94,962	-	94,962
	517,268	-	517,268
Supporting services			
Management and general	104,841	-	104,841
Fundraising	8,973	-	8,973
	113,814	-	113,814
Total expenses	631,082	-	631,082
Changes in net assets	198,297	46,993	245,290
Net assets, beginning of year	80,608	33,673	114,281
Net assets, end of year	\$ 278,905	\$ 80,666	\$ 359,571

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

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			
	Expungement	Pardons	Community	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Payroll	\$ 112,168	\$ 107,230	\$ 69,390	\$ 288,788	\$ 78,945	\$ 7,856	\$ 86,801	\$ 375,589
Payroll taxes and employee benefits	21,159	14,654	12,843	48,656	8,594	906	9,500	58,156
	133,327	121,884	82,233	337,444	87,539	8,762	96,301	433,745
Advertising and promotion	260	229	196	685	-	-	-	685
Bank fees	-	-	-	-	886	-	886	886
Consulting	-	36,000	-	36,000	-	-	-	36,000
Dues and subscriptions	1,050	927	793	2,770	-	-	-	2,770
Information technology	1,268	1,119	958	3,345	643	-	643	3,988
Insurance	950	838	718	2,506	577	22	599	3,105
Interest	-	-	-	-	103	-	103	103
Miscellaneous	3,691	3,258	2,789	9,738	479	-	479	10,217
Office	3,447	3,042	2,604	9,093	2,088	80	2,168	11,261
Professional fees	49,688	49,687	-	99,375	9,675	-	9,675	109,050
Rent	4,691	4,141	3,544	12,376	2,851	109	2,960	15,336
Travel	1,492	1,317	1,127	3,936	-	-	-	3,936
Total expenses	\$ 199,864	\$ 222,442	\$ 94,962	\$ 517,268	\$ 104,841	\$ 8,973	\$ 113,814	\$ 631,082

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

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities		
Changes in net assets	\$	245,290
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Changes in operating assets and liabilities:		
Contributions receivable		(10,652)
Prepaid and other assets		(5,884)
Accounts payable and accrued expenses		(606)
Accrued payroll and other liabilities		14,487
<hr/>		
Net cash provided by operating activities		242,635
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Cash flows provided by financing activities		
Proceeds from note payable		61,662
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Net increase in cash and cash equivalents		304,297
Cash and cash equivalents, beginning of year		85,660
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Cash and cash equivalents, end of year	\$	389,957
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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 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 of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (US GAAP) and presented in accordance with Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Change in Basis of Accounting

Effective July 1, 2019, the Organization changed its basis of accounting from the cash basis to the accrual basis. The effect of this change was to increase net assets without donor restrictions by \$22,471 as of July 1, 2019 and to increase net assets with donor restrictions by \$6,150 as of July 1, 2019.

Support and Revenue Recognition

Effective July 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 was applied using the modified retrospective method. There was no cumulative effect of the initial application to be recognized as an adjustment to opening net assets at July 1, 2019 as the adoption did not have a material impact on the Organization's results of operations or financial condition. The initial application was applied to all contracts outstanding at July 1, 2019.

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.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$47,080 for the year ended June 30, 2020.

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 and amounted to \$176,544 for the year ended June 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Organization adopted ASU 2018-08 as of July 1, 2019 under the modified prospective approach. The adoption of this ASU did not materially impact the financial statements.

Contributions and Grants – In accordance with ASU 2018-08, 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.

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 professional fees expense. For the year ended June 30, 2020 the Organization received \$99,375 in donated services.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$135,267 as of June 30, 2020.

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.

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, 2020. At June 30, 2020, the receivables are due within one year.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$685 for the year ended June 30, 2020.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 for general expenditure are as follows:

Cash and cash equivalents	\$	389,957
Grants receivable		13,000
Contributions and other receivables		58,151
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Total financial assets available within one year		461,108
Less: amounts unavailable for general expenditures within one year, due to		
Restricted by donor for specific purpose		(80,666)
Unavailable to management without Board's approval		(135,267)
<hr/>		
Total amounts unavailable for general expenditure within one year		(215,933)
Total financial assets available to management for general expenditure within one year	\$	245,175

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in fiscal year 2021.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

3 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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.

4 – NOTE PAYABLE

On May 3, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$61,662 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds are used to pay qualifying expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2020 principal and interest payments will be required through the maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Future maturities of the note payable are as follows:

Year Ending June 30,		
2021	\$	25,413
2022		36,249
	\$	61,662

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

5 – 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, 2020
Undesignated	\$ 143,638
Board designated – reserve fund	135,267
	\$ 278,905

Without restrictions, Board Designated Funds

During the fiscal year ended June 30, 2020, 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, 2020 was \$135,267.

6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30, 2020
Subject to expenditure for specified purposes:	
Expungement, Pardon & Community Education	\$ 31,690
Pardon Program	48,976
	\$ 80,666

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.

	June 30, 2020
Purpose restrictions accomplished	
Expungement, Pardon & Community Education	\$ 194,833
Pardon program	45,674
	\$ 240,507

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

7 – 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, 2020 was \$15,337. Subsequent to June 30, 2020, the Organization continued this lease on a month-to-month basis.

8 – 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.

9 – 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.

10 – RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus (COVID-19) around the world in 2020 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 operations.

11 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 21, 2020, the date on which the financial statements were available to be issued.