

**NATIONAL CENTER FOR LAW
AND ECONOMIC JUSTICE, INC.**

**Financial Statements
for year ended
December 31, 2019**

Independent Auditor's Report

The Board of Directors
National Center for Law and Economic Justice, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of National Center for Law and Economic Justice, Inc., (the "Center") which comprise the statement of financial position as of December 31, 2019 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 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.

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 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 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of National Center for Law and Economic Justice, Inc. as of December 31, 2019 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and in our report dated March 22, 2019, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cordon O'Meara Mc Ginty & Donnelly LLP

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Financial Position

Assets

| | December 31 | |
|---|---------------------------|---------------------------|
| | 2019 | 2018 |
| Current assets | | |
| Cash and cash equivalents | \$ 139,199 | \$ 777,668 |
| Investments, at fair value | 1,013,297 | 994,898 |
| Contributions and grants receivable | 586,920 | 597,195 |
| Accounts receivable | 144,127 | 11,607 |
| Prepaid expenses | 49,138 | 72,452 |
| Total current assets | <u>1,932,681</u> | <u>2,453,820</u> |
| Property and equipment | | |
| Leasehold improvements | 82,217 | 82,217 |
| Furniture, fixtures and equipment | 63,636 | 63,636 |
| Total property and equipment | 145,853 | 145,853 |
| Less: accumulated depreciation and amortization | 138,715 | 136,446 |
| Net property and equipment | <u>7,138</u> | <u>9,407</u> |
| Total assets | <u>\$1,939,819</u> | <u>\$2,463,227</u> |

Liabilities and Net Assets

| | | |
|---|---------------------------|---------------------------|
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 90,179 | \$ 91,692 |
| Net assets | | |
| Without donor restrictions | | |
| Operating fund (deficit) | (230,873) | 10,970 |
| Stabilization fund | 1,258,931 | 1,408,931 |
| Lease security fund | 65,730 | 65,730 |
| Total without donor restrictions | <u>1,093,788</u> | <u>1,485,631</u> |
| With donor restrictions | | |
| Paul M. Dodyk Fellowship Fund | 15,250 | 34,471 |
| The Freedman Fund for Due Process | 201,852 | 115,600 |
| Other | 538,750 | 735,833 |
| Total with donor restrictions | <u>755,852</u> | <u>885,904</u> |
| Total net assets | <u>1,849,640</u> | <u>2,371,535</u> |
| Total liabilities and net assets | <u>\$1,939,819</u> | <u>\$2,463,227</u> |

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

**Statement of Activities
For Year Ended December 31, 2019
(with Summarized Comparative Information for the Year Ended December 31, 2018)**

| | 2019 | | | | 2018 |
|--|----------------------------|--------------------|---------------------|--------------|-------------------------|
| | Without Donor Restrictions | | | | |
| | Operating Fund | Stabilization Fund | Lease Security Fund | Total | With Donor Restrictions |
| | | | | | Total |
| Public support and revenue | | | | | |
| Public support | | | | | |
| Contributions | | | | | |
| Paul M. Dodyk Fellowship Fund | \$ - | \$ - | \$ - | \$ - | \$ 10,700 |
| The Freedman Fund for Due Process | - | - | - | - | 85,649 |
| Other | 327,137 | - | - | 327,137 | - |
| Grants | 240,121 | - | - | 240,121 | 199,999 |
| Special events, net of direct costs of \$136,599 in 2019 and \$196,072 in 2018 | 526,776 | - | - | 526,776 | - |
| Donated services and materials | 174,336 | - | - | 174,336 | - |
| Net assets released from restrictions | 427,083 | - | - | 427,083 | (427,083) |
| Total public support | 1,695,453 | - | - | 1,695,453 | (130,735) |
| Revenue | | | | | |
| Attorney fees | 320,229 | - | - | 320,229 | - |
| Interest income and other | 13,509 | - | - | 13,509 | 683 |
| Total revenue | 333,738 | - | - | 333,738 | 683 |
| Total public support and revenue | 2,029,191 | - | - | 2,029,191 | (130,052) |
| Expenses | | | | | |
| Program services | | | | | |
| IOLA | 65,000 | - | - | 65,000 | - |
| Other program services | 1,754,082 | - | - | 1,754,082 | - |
| Total program services | 1,819,082 | - | - | 1,819,082 | - |
| Management and general | 311,975 | - | - | 311,975 | - |
| Fund-raising | 289,977 | - | - | 289,977 | - |
| Total expenses | 2,421,034 | - | - | 2,421,034 | - |
| Increase (decrease) in net assets before interfund transfer | (391,843) | - | - | (391,843) | (130,052) |
| Interfund transfer | 150,000 | (150,000) | - | - | - |
| Increase (decrease) in net assets after transfer | (241,843) | (150,000) | - | (391,843) | (130,052) |
| Net assets, beginning of year | 10,970 | 1,408,931 | 65,730 | 1,485,631 | 885,904 |
| Net assets (deficit), end of year | \$ (230,873) | \$ 1,258,931 | \$ 65,730 | \$ 1,093,788 | \$ 755,852 |

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

**Statement of Functional Expenses
For Year Ended December 31, 2019
(with Summarized Comparative Information for the year ended December 31, 2018)**

| | 2019 | | | | | 2018 |
|-------------------------------------|------------------|------------------------|------------------|------------------------|--------------|-------------|
| | Program Services | | Total | Management and General | Fund-raising | Total |
| | IOLA | Other Program Services | Program Services | | | |
| Professional salaries | \$ 39,943 | \$ 807,699 | \$ 847,642 | \$ 179,766 | \$ 119,130 | \$ 926,973 |
| Support staff salaries | 2,725 | 100,254 | 102,979 | 15,923 | 6,575 | 122,942 |
| Donated services | - | 173,059 | 173,059 | 549 | 227 | 162,903 |
| Employee benefits and payroll taxes | 10,667 | 277,327 | 287,994 | 44,568 | 18,387 | 317,354 |
| Total salaries and related | 53,335 | 1,358,339 | 1,411,674 | 240,806 | 144,319 | 1,530,172 |
| Unrelated business income taxes | - | 3,282 | 3,282 | 508 | 210 | 4,000 |
| Rent and other occupancy costs | 8,340 | 247,309 | 255,649 | 39,529 | 16,323 | 300,086 |
| Equipment rental and maintenance | - | 5,863 | 5,863 | 907 | 374 | 7,568 |
| Office supplies | 417 | 7,905 | 8,322 | 7,952 | 7,937 | 22,626 |
| Postage and messengers | - | 20 | 20 | 27 | 1,485 | 3,304 |
| Printing and duplication | - | 268 | 268 | 15 | 3,019 | 4,153 |
| Staff and board travel | 208 | 1,141 | 1,349 | 7,102 | 264 | 15,774 |
| Strategic planning | - | 13,788 | 13,788 | 2,132 | 880 | 16,800 |
| Staff training | - | 2,469 | 2,469 | - | - | 2,137 |
| Telephone | - | 9,634 | 9,634 | 1,490 | 615 | 12,756 |
| Library | - | 11,970 | 11,970 | - | - | 11,519 |
| Audit fees | - | 12,721 | 12,721 | 1,967 | 812 | 15,500 |
| Insurance | - | 14,309 | 14,309 | 903 | 156 | 15,368 |
| Dues and subscriptions | - | 2,398 | 2,398 | 625 | - | 3,023 |
| Cultivation and other event | - | 49 | 49 | 8 | 413 | 470 |
| Contract services | - | 32,197 | 32,197 | 7,716 | 112,504 | 152,417 |
| Litigation | 2,700 | 28,447 | 31,147 | - | - | 31,147 |
| The Freedman Fund for Due Process | - | 110 | 110 | - | 548 | 658 |
| Paul M. Dodyk fellowship campaign | - | - | - | - | - | 443 |
| Depreciation and amortization | - | - | - | - | - | - |
| | | 1,863 | 1,863 | 288 | 118 | 2,269 |
| Total non-personnel | 11,665 | 395,743 | 407,408 | 71,169 | 145,658 | 548,091 |
| Totals | \$ 65,000 | \$1,754,082 | \$1,819,082 | \$ 311,975 | \$ 289,977 | \$2,078,263 |

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Statement of Cash Flows

| | Year Ended December 31 | |
|--|-----------------------------------|--------------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (521,895) | \$ 330,938 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 2,269 | 2,269 |
| Donated stock | 11,057 | (18,716) |
| Proceeds from sale of donated stock | (11,057) | 18,716 |
| (Increase) decrease in current assets | | |
| Contributions and grants receivable | 10,275 | (147,450) |
| Accounts receivable | (132,520) | (1,336) |
| Prepaid expenses | 23,314 | (15,440) |
| (Decrease) in accounts payable and accrued expenses | <u>(1,513)</u> | <u>(38,922)</u> |
| Net cash provided by (used in) operating activities | (620,070) | 130,059 |
| Cash flows from investing activities | | |
| (Increase) decrease in investments – net | <u>(18,399)</u> | <u>93,793</u> |
| Net increase (decrease) in cash and cash equivalents | (638,469) | 223,852 |
| Cash and cash equivalents, beginning of year | <u>777,668</u> | <u>553,816</u> |
| Cash and cash equivalents, end of year | <u>\$ 139,199</u> | <u>\$ 777,668</u> |

See notes to financial statements.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Notes to Financial Statements December 31, 2019

Note 1 – Organization and purpose and summary of significant accounting policies

The National Center for Law and Economic Justice, Inc. (the “Center”) was founded in 1965 and subsequently incorporated under the Not-for-Profit Corporation Law of the State of New York. The Center uses its special expertise in income support programs to promote the creation, maintenance, strengthening and fair administration of such programs and, as appropriate, to address other publicly supported means of improving low-income people’s circumstances.

Financial reporting

The financial statements of the Center are maintained on an accrual basis of accounting. The assets of the Center less liabilities represent the net assets which are reported in two classes as follows:

Net assets without donor restrictions

The Center’s net assets without donor restrictions are available to support operations. The only limits on the use of these net assets, if any, are internal Board designations.

Operating fund

The operating fund is used to account for the general activities of the Center.

Stabilization fund

During 2000, the Board of Directors (the “Board”) authorized the establishment of the Stabilization fund. In connection therewith, the Board also authorized a transfer of \$300,000 into the newly established fund. Funds for the Stabilization fund come from a portion of the attorney fees generated by the Center, as determined by the Board. In 2012, the Board determined that the Stabilization fund should be credited with the lesser of either (1) 50% of legal fees actually received and appropriately accrued or (2) the amount that would be remaining after application of such fees to any operating deficit that would otherwise result.

The net assets of the Fund can be used at the discretion of the Board. During September 2019, the Board authorized a transfer of \$150,000 from the Stabilization fund to the Operating fund.

Lease security fund

The lease security fund is used to account for the certificate of deposit held by the Center for the lease.

Net assets with donor restrictions

Net assets with donor restrictions consist of grants and contributions that are restricted by the donor for a specific purpose or relate to future periods. Once that specific purpose has been met or time restriction expires, the funds are released from their restriction.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.**Notes to Financial Statements (continued)**
December 31, 2019**Note 1 – Organization and purpose and summary of significant accounting policies (continued)**Functional allocation of expenses

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

Donated services

The Center receives services from law students volunteering their time and law firms loaning their employees to the Center. The fair market value of these volunteered and donated professional services has been included in the statement of activities as both revenue and salary and related expenses.

Cash and cash equivalents

Cash and cash equivalents consist of checking accounts and a money market fund.

Allowance for doubtful accounts

The Center considers all contributions, grants and accounts receivable to be collectible, and accordingly, does not have an allowance for doubtful accounts. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Investments

Investments are recorded at fair value.

Fair value measurements

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Center's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Property and equipment

Property and equipment are recorded at cost. Depreciation has been provided in the financial statements utilizing the straight-line method over the estimated useful lives of the assets ranging from 10 to 20 years. Leasehold improvements are being amortized over the term of the lease.

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Notes to Financial Statements (continued)
December 31, 2019

Note 1 – Organization and purpose and summary of significant accounting policies (continued)

Concentrations of credit risk

The Center's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. The Center places its cash and cash equivalents with what it believes to be quality financial institutions. Investments consist of money market funds and a certificate of deposit. Receivables are reviewed on an ongoing basis. Accordingly, the Center believes no material concentrations of credit risk exist with respect to its cash and cash equivalents, investments and receivables.

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, such as the collectability of accounts receivable and estimates of accrued expenses, which affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. 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 the Center's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through January 28, 2020, which is the date the financial statements were available to be issued.

Note 2 – Investments

Investments at December 31, 2019 and December 31, 2018 consist of the following:

| | <u>2019</u> | <u>2018</u> |
|------------------------|---------------------|-------------------|
| Money market funds | \$ 758,984 | \$ 744,898 |
| Certificate of deposit | <u>254,313</u> | <u>250,000</u> |
| Total | <u>\$ 1,013,297</u> | <u>\$ 994,898</u> |

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Notes to Financial Statements (continued)
December 31, 2019

Note 3 – Liquidity and availability of financial assets

The Center's working capital and cash flows have variations during the year attributable to cash receipts from contributions, grants, special events and attorney fees. The following is a summary of the Center's financial assets as December 31, 2019, available for general use within one year of the statement of financial position date:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 139,199 |
| Investments, at fair value | 1,013,297 |
| Contributions and grants receivable | 586,920 |
| Accounts receivable | <u>144,127</u> |
| Total financial assets | 1,883,543 |
| Less: Security fund | 65,730 |
| Donor restrictions | <u>755,852</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,061,961</u> |

Note 4 – Grants, contributions and net assets released from restrictions

The Center reports grants and contributions as net assets with donor restrictions if they are received with donor stipulations, which limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Center follows the New York State Not-for-Profit Corporation Law when adhering to donor-restricted contributions. The activity in the Center's donor-restricted contributions for the year ended December 31, 2019 was as follows:

| | Balance December 31, <u>2018</u> | Support and <u>Revenue</u> | Released from <u>Restrictions</u> | Balance December 31, <u>2019</u> |
|-----------------------------------|--|----------------------------------|---|--|
| Arnold Foundation | \$ 500,000 | \$ - | \$ (250,000) | \$ 250,000 |
| Equal Justice Works | 83,333 | - | (50,000) | 33,333 |
| IOLA | 140,000 | - | (52,500) | 87,500 |
| Paul M. Dodyk Fellowship Fund | 34,471 | 10,779 | (30,000) | 15,250 |
| The Freedman Fund for Due Process | 115,600 | 86,252 | - | 201,852 |
| IOLA | 12,500 | - | (12,500) | - |
| Borealis Philanthropy | - | 75,000 | (18,750) | 56,250 |
| New York Community Trust | - | 85,000 | - | 85,000 |
| Columbia Law School | <u>-</u> | <u>40,000</u> | <u>(13,333)</u> | <u>26,667</u> |
| Total | <u>\$ 885,904</u> | <u>\$ 297,031</u> | <u>\$ (427,083)</u> | <u>\$ 755,852</u> |

NATIONAL CENTER FOR LAW AND ECONOMIC JUSTICE, INC.

Notes to Financial Statements (continued)
December 31, 2019

Note 5 – Retirement plan

The Center has a 403(b) tax deferred annuity retirement plan (the “Plan”) for all eligible employees. Eligible employees may defer a portion of their compensation not to exceed limits established by the Internal Revenue Code. The Center made contributions to the Plan at the rate 7.5% of a participant’s compensation. Such contributions are vested 100% immediately for the benefit of the employee. The Center’s contributions to the Plan totaled \$82,361 and \$78,612 for the years ended December 31, 2019 and December 31, 2018, respectively.

Note 6 – Lease agreement

During February 2016, the Center entered into an agreement to amend the lease for office space to among other things extend the lease for a period of five years and two months. As of June 1, 2016, the amended lease, which expires July 31, 2021, requires a base annual rental of \$262,920 increasing to \$284,593 during the final year of the lease and a security deposit of \$65,730.

In addition to the base annual rental, the Center is required to pay its proportionate share of increases in certain operating costs of the landlord as outlined in the lease. In connection with the lease, in lieu of a cash security deposit, the Center obtained an irrevocable standby letter of credit from a bank in favor of the landlord to be used in the event of default pursuant to the terms of the lease. Occupancy costs for the years ended December 31, 2019 and December 31, 2018 totaled \$311,501 (including rent of \$286,532 and utility costs of \$24,969) and \$300,086 (including rent of \$274,618 and utility costs of \$25,468), respectively.

The following are the required future minimum annual rental payments under the amended lease:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2020 | \$ 282,268 |
| 2021 | <u>166,013</u> |
| Total | <u>\$ 448,281</u> |

Note 7 – Tax status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. The Center qualifies for the maximum charitable contribution deductions for donors.