

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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

Opinion

We have audited the financial statements of Philadelphia Lawyers for Social Equity (the “Organization”), which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Philadelphia Lawyers for Social Equity as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Philadelphia Lawyers for Social Equity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Financial Statements

The financial statements of Philadelphia Lawyers for Social Equity as of and for the year ended June 30, 2022 were audited by Friedman LLP whose practice was combined with Marcum LLP as September 1, 2022, and whose report dated December 19, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Philadelphia Lawyers for Social Equity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Philadelphia Lawyers for Social Equity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Philadelphia Lawyers for Social Equity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Philadelphia, PA
November 30, 2023

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 263,323	\$ 687,853
Grants and contributions receivable	102,976	376,420
Prepaid and other assets	<u>15,027</u>	<u>13,528</u>
Total Current Assets	381,326	1,077,801
Operating Right-of-Use Asset	<u>178,192</u>	<u>--</u>
Total Assets	<u>\$ 559,518</u>	<u>\$ 1,077,801</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 371	\$ 22,862
Accrued payroll and other liabilities	94,742	80,379
Operating lease liability, current portion	34,543	--
Deferred revenue	<u>--</u>	<u>31,250</u>
Total Current Liabilities	129,656	134,491
Long-Term Liabilities		
Operating lease liability, net of current portion	<u>145,828</u>	<u>--</u>
Total Liabilities	<u>275,484</u>	<u>134,491</u>
Net Assets		
Without donor restrictions		
Undesignated	(71,623)	16,283
Board designated - reserve fund	<u>173,600</u>	<u>253,600</u>
Total Without Donor Restrictions	101,977	269,883
With donor restrictions	<u>182,057</u>	<u>673,427</u>
Total Net Assets	<u>284,034</u>	<u>943,310</u>
Total Liabilities and Net Assets	<u>\$ 559,518</u>	<u>\$ 1,077,801</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and Revenue				
Contributions				
Foundation	\$ 159,000	\$ 171,025	\$ 330,025	\$ 1,126,402
Government grants	--	214,000	214,000	--
Other	100,036	--	100,036	209,215
Special events (net of costs of direct benefits to donors of \$11,666)	44,134	--	44,134	--
Program services	88,850	--	88,850	175,420
Other income	216	--	216	131
Net assets released from restriction	<u>876,395</u>	<u>(876,395)</u>	<u>--</u>	<u>--</u>
Total Support and Revenue	<u>1,268,631</u>	<u>(491,370)</u>	<u>777,261</u>	<u>1,511,168</u>
Expenses				
Program services				
Expungement	346,290	--	346,290	193,800
Pardons	421,218	--	421,218	302,227
Community	<u>408,805</u>	<u>--</u>	<u>408,805</u>	<u>295,788</u>
	<u>1,176,313</u>	<u>--</u>	<u>1,176,313</u>	<u>791,815</u>
Supporting Services				
Management and general	162,047	--	162,047	157,183
Fundraising	<u>98,177</u>	<u>--</u>	<u>98,177</u>	<u>63,654</u>
	<u>260,224</u>	<u>--</u>	<u>260,224</u>	<u>220,837</u>
Total Expenses	<u>1,436,537</u>	<u>--</u>	<u>1,436,537</u>	<u>1,012,652</u>
Changes in Net Assets	(167,906)	(491,370)	(659,276)	498,516
Net Assets, Beginning of Year	<u>269,883</u>	<u>673,427</u>	<u>943,310</u>	<u>444,794</u>
Net Assets, End of Year	<u>\$ 101,977</u>	<u>\$ 182,057</u>	<u>\$ 284,034</u>	<u>\$ 943,310</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions			
Foundation	\$ 180,152	\$ 946,250	\$ 1,126,402
Other	91,240	117,975	209,215
Program services	175,420	--	175,420
Other income	131	--	131
Net assets released from restriction	<u>553,280</u>	<u>(553,280)</u>	<u>--</u>
Total Support and Revenue	<u>1,000,223</u>	<u>510,945</u>	<u>1,511,168</u>
Expenses			
Program services			
Expungement	193,800	--	193,800
Pardons	302,227	--	302,227
Community	<u>295,788</u>	<u>--</u>	<u>295,788</u>
	<u>791,815</u>	<u>--</u>	<u>791,815</u>
Supporting Services			
Management and general	157,183	--	157,183
Fundraising	<u>63,654</u>	<u>--</u>	<u>63,654</u>
	<u>220,837</u>	<u>--</u>	<u>220,837</u>
Total Expenses	<u>1,012,652</u>	<u>--</u>	<u>1,012,652</u>
Changes in Net Assets	(12,429)	510,945	498,516
Net Assets, Beginning of Year	<u>282,312</u>	<u>162,482</u>	<u>444,794</u>
Net Assets, End of Year	<u>\$ 269,883</u>	<u>\$ 673,427</u>	<u>\$ 943,310</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services			Total Expenses
	Expungement	Pardons	Community	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Payroll	\$ 246,563	\$ 253,431	\$ 309,989	\$ 809,983	\$ 102,712	\$ 80,954	\$ 183,666	\$ 993,649
Payroll taxes and employee benefits	41,259	44,012	49,013	134,284	17,727	15,545	33,272	167,556
	287,822	297,443	359,002	944,267	120,439	96,499	216,938	1,161,205
Advertising and promotion	2,041	1,695	1,739	5,475	--	--	--	5,475
Bank fees	--	--	--	--	1,254	--	1,254	1,254
Consulting	3,856	27,374	3,285	34,515	--	--	--	34,515
Dues and subscriptions	1,484	1,233	1,264	3,981	--	--	--	3,981
Information technology	10,471	8,695	8,920	28,086	2,190	--	2,190	30,276
Insurance	2,384	1,979	2,030	6,393	385	129	514	6,907
Miscellaneous	2,590	40,207	2,208	45,005	3,206	--	3,206	48,211
Office	14,295	11,869	12,175	38,339	2,312	775	3,087	41,426
Professional fees	5,591	17,642	4,762	27,995	29,950	--	29,950	57,945
Lease	14,287	11,861	12,168	38,316	2,311	774	3,085	41,401
Travel	1,469	1,220	1,252	3,941	--	--	--	3,941
Total Expenses	<u>\$ 346,290</u>	<u>\$ 421,218</u>	<u>\$ 408,805</u>	<u>\$ 1,176,313</u>	<u>\$ 162,047</u>	<u>\$ 98,177</u>	<u>\$ 260,224</u>	<u>\$ 1,436,537</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Total Program Services	Supporting Services			Total Expenses
	Expungement	Pardons	Community		Management and General	Fundraising	Total Supporting Services	
Payroll	\$ 144,333	\$ 191,571	\$ 212,649	\$ 548,553	\$ 104,401	\$ 51,916	\$ 156,317	\$ 704,870
Payroll taxes and employee benefits	<u>22,593</u>	<u>32,796</u>	<u>34,017</u>	<u>89,406</u>	<u>19,458</u>	<u>10,266</u>	<u>29,724</u>	<u>119,130</u>
	166,926	224,367	246,666	637,959	123,859	62,182	186,041	824,000
Advertising and promotion	2,764	4,212	5,051	12,027	--	--	--	12,027
Bank fees	--	--	--	--	1,995	--	1,995	1,995
Consulting	--	8,950	--	8,950	--	--	--	8,950
Dues and subscriptions	822	1,252	1,502	3,576	--	--	--	3,576
Information technology	5,420	8,259	9,906	23,585	1,276	--	1,276	24,861
Insurance	1,060	1,616	1,939	4,615	321	108	429	5,044
Miscellaneous	2,951	15,950	5,393	24,294	5,651	--	5,651	29,945
Office	6,763	10,309	12,364	29,436	2,049	689	2,738	32,174
Professional fees	--	16,500	--	16,500	20,023	--	20,023	36,523
Lease	6,631	10,107	12,122	28,860	2,009	675	2,684	31,544
Travel	<u>463</u>	<u>705</u>	<u>845</u>	<u>2,013</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,013</u>
Total Expenses	<u>\$ 193,800</u>	<u>\$ 302,227</u>	<u>\$ 295,788</u>	<u>\$ 791,815</u>	<u>\$ 157,183</u>	<u>\$ 63,654</u>	<u>\$ 220,837</u>	<u>\$ 1,012,652</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ (659,276)	\$ 498,516
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Accretion of operating lease liability	6,210	--
Amortization of operating right-of-use asset	35,191	--
Changes in operating assets and liabilities		
Grants and contributions receivable	273,444	(285,290)
Prepaid and other assets	(1,499)	(784)
Accounts payable and accrued expenses	(22,491)	20,743
Accrued payroll and other liabilities	14,363	28,329
Deferred revenue	(31,250)	(16,750)
Operating lease liability	(39,222)	--
Net Cash (Used in) Provided by Operating Activities	<u>(424,530)</u>	<u>244,764</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(424,530)	244,764
Cash and Cash Equivalents, Beginning of Year	<u>687,853</u>	<u>443,089</u>
Cash and Cash Equivalents, End of Year	<u>\$ 263,323</u>	<u>\$ 687,853</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 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.

NOTE 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 accounting principles generally accepted in the United States of America ("U.S. 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 legal services, 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 service is provided or training event occurs and amounted to \$88,850 and \$175,420 for the years ended June 30, 2023 and 2022, respectively.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUPPORT AND REVENUE RECOGNITION (CONTINUED)

CONTRIBUTIONS

In accordance with FASB ASC 958, *Not-for-profit Entities*, unconditional promises to give cash and other assets to the Organization are reported as contributions 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 statements of activities and changes in net assets as net assets released from restrictions. Restricted contributions received, whose restrictions are met in the same reporting period, are reflected as without restrictions.

SPECIAL EVENTS

Special events revenue include revenue generated from ticket sales and revenue received in sponsorships. Revenue earned from attendance at fundraising events is recognized at the time of the event. Revenue from sponsorships is considered contribution revenue as they are generally nonreciprocal transactions, therefore, recognized when the agreement is signed. Revenue from ticket sales are considered an exchange transaction for the value received. Amounts received in advance of the event are recorded as deferred revenue (contract liability) until the event is held. Expenses incurred in connection with an event that provide direct benefit to the donors offset special event revenue in the statements of activities and changes in net assets. For the year ended June 30, 2023, the revenue from special events amounted to \$55,800, of which \$10,300 was for ticket sales and \$45,500 were additional contributions. Expenses incurred in connection with events that provide direct donor benefit totaled \$11,666 for the year June 30, 2023.

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 \$173,600 and \$253,600 as of June 30, 2023 and 2022, respectively.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 U.S. 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 was considered necessary at June 30, 2023 and 2022. At June 30, 2023 and 2022, 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 statements of financial position. Deferred revenues are earned as the program conditions are met.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs were \$5,475 and \$12,027 for the years ended June 30, 2023 and 2022, respectively.

LEASES

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases* (“ASC 842”). The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Organization will not recognize right-of-use asset or lease liability on the statement of financial position. The Organization generally does not have access to the rate implicit in the lease, and therefore the Organization utilizes a risk-free rate as the discount rate.

The adoption of ASC 842 resulted in the recognition of an operating right-of-use asset of \$213,383, and operating lease liability of \$213,383 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with the Organization’s historical accounting treatment. The adoption of ASC 842 did not have a material impact on the Organization’s results of operations and cash flows. See Note 6.

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.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 30, 2023, the date on which the financial statements were available to be issued.

NOTE 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, 2023 and 2022 for general expenditure are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 263,323	\$ 687,853
Grants and contributions receivable	<u>102,976</u>	<u>376,420</u>
Total Financial Assets Available Within One Year	<u>366,299</u>	<u>1,064,273</u>
Less: amounts unavailable for general expenditures within one year, due to Restricted by donor for specific purpose	(182,057)	(673,427)
Unavailable to management without Board's approval	<u>(173,600)</u>	<u>(253,600)</u>
Total Amounts Unavailable for General Expenditure Within One Year	<u>(355,657)</u>	<u>(927,027)</u>
Total Financial Assets Available To Management for General Expenditure Within One Year	<u>\$ 10,642</u>	<u>\$ 137,246</u>

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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 2024.

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. In addition, the Organization can utilize the Board Restricted reserve fund to assist with short term cash needs with the approval of the Board.

NOTE 4 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	June 30,	
	2023	2022
Undesignated	\$ (71,623)	\$ 16,283
Board designated - reserve fund	<u>173,600</u>	<u>253,600</u>
	<u>\$ 101,977</u>	<u>\$ 269,883</u>

WITHOUT RESTRICTIONS, BOARD DESIGNATED FUNDS

During the years ended June 30, 2023 and 2022, 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.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2023	2022
Subject to expenditure for specified purposes:		
Expungement, Pardon & Community Education	\$ 100,866	\$ 568,443
Pardon Program	75,005	90,009
Community Education	<u>6,186</u>	<u>14,975</u>
	<u>\$ 182,057</u>	<u>\$ 673,427</u>

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,	
	2023	2022
Purpose restrictions accomplished		
Expungement, Pardon & Community Education	\$ 646,102	\$ 379,103
Pardon program	221,504	171,177
Community Education	<u>8,789</u>	<u>3,000</u>
	<u>\$ 876,395</u>	<u>\$ 553,280</u>

NOTE 6 - LEASE COMMITMENTS

The Organization leases office space under a three year noncancelable lease through February 28, 2025, with an option to extend for an additional three years. The Organization intends to exercise the option to extend the lease and included the extension in the lease term calculation.

Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

The following summarizes the line items in the statement of financial position which include amounts for the operating lease at June 30, 2023:

Operating Right-of-Use Asset	<u>\$ 178,192</u>
Operating lease liability, current portion	\$ 34,543
Operating lease liability, net of current portion	<u>145,8828</u>
Total Operating Lease Liability	<u>\$ 180,371</u>

The components of operating lease costs that are included in the statement of activities and changes in net assets for the year ended June 30, 2023 were as follows:

Operating lease cost	
Fixed rent expense	\$ 41,401

Rent expense, as previously defined under ASC 840, for all operating leases was \$31,544 for the year ended June 30, 2022.

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating lease	\$ 39,222

Weighted average lease term and discount rate are as follows at June 30, 2023:

Weighted average remaining lease term - operating	4.67 years
Weighted average discount rate - operating	2.90%

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

The maturities of the operating lease liability as of June 30, 2023, were as follows:

2024	\$ 39,222
2025	40,312
2026	42,491
2027	42,491
2028	<u>28,327</u>
Total Lease Payments	192,843
Less amount representing interest	<u>(12,472)</u>
Present Value of Future Minimum Lease Payments	180,371
Less current maturities	<u>(34,543)</u>
Long-Term Lease Liability	<u>\$ 145,828</u>

The following schedule summarizes the future minimum lease payments required under ASC 840 the operating lease agreement as of June 30, 2022 were as follows:

Year Ending June 30,	Amount
2023	\$ 39,222
2024	39,222
2025	<u>13,074</u>
	<u>\$ 91,518</u>

NOTE 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.

PHILADELPHIA LAWYERS FOR SOCIAL EQUITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2023 and June 30, 2022, the Organization provided legal services to a company owned by an officer of the Organization's Board of Directors. Total amounts recognized in revenue from this company were \$ 31,250 and \$18,750 during the years ended June 30, 2023 and 2022, respectively.

NOTE 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.