

**N Y L P I**

**JUSTICE THROUGH  
COMMUNITY POWER**

**NEW YORK LAWYERS FOR THE PUBLIC INTEREST, INC.**

**Financial Statements**

**May 31, 2020 and 2019**

**With Independent Auditor's Report**

**New York Lawyers for the Public Interest, Inc.**  
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**May 31, 2020 and 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors,  
New York Lawyers for the Public Interest, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New York Lawyers for the Public Interest, Inc., which comprise the statements of financial position as of May 31, 2020 and 2019, the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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.

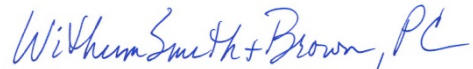
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Lawyers for the Public Interest, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 3 in the notes of the financial statements, during 2020, New York Lawyers for the Public Interest, Inc. adopted the following Accounting Standards Updates ("ASU"): ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825). Our opinion is not modified with respect to these matters.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

February 11, 2021

**New York Lawyers for the Public Interest, Inc.**  
**Statements of Financial Position**  
**May 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,399,094	\$ 1,877,803
Investments other	3,269,449	2,933,777
Government contracts receivable	567,141	443,000
Contributions receivable, net	1,247,186	1,058,952
Attorney fee awards receivable, net of allowance of \$40,610 and \$51,231 for 2020 and 2019, respectively	144,124	184,642
Prepaid expenses	<u>33,183</u>	<u>74,378</u>
Total current assets	<u>7,660,177</u>	<u>6,572,552</u>
Property and equipment		
Software	87,958	114,008
Furniture and fixtures	36,854	4,881
Office equipment	8,550	15,021
Leasehold improvements	<u>80,798</u>	<u>419,773</u>
	214,160	553,683
Less: Accumulated depreciation	<u>97,107</u>	<u>549,813</u>
Net property and equipment	<u>117,053</u>	<u>3,870</u>
Other assets		
Restricted investments - endowments	328,000	328,000
Security deposits	<u>94,009</u>	<u>38,509</u>
Total other assets	<u>422,009</u>	<u>366,509</u>
Total assets	<u>\$ 8,199,239</u>	<u>\$ 6,942,931</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 897,899	\$ 180,379
Subtenant security deposits	10,000	10,000
Deferred income	<u>37,958</u>	<u>40,096</u>
Total current liabilities	945,857	230,475
Deferred rent	227,410	20,439
Refundable advance	<u>463,010</u>	<u>-</u>
Total liabilities	<u>1,636,277</u>	<u>250,914</u>
Net assets		
Without donor restrictions	3,276,931	2,997,811
Without donor restrictions - board designated reserve	<u>607,174</u>	<u>607,174</u>
Total without donor restrictions	3,884,105	3,604,985
With donor restrictions	<u>2,678,857</u>	<u>3,087,032</u>
Total net assets	<u>6,562,962</u>	<u>6,692,017</u>
Total liabilities and net assets	<u>\$ 8,199,239</u>	<u>\$ 6,942,931</u>

The Notes to Financial Statements are an integral part of these statements.

**New York Lawyers for the Public Interest, Inc.**  
**Statement of Activities**  
**Year Ended May 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenues</b>			
Public support			
Contributions - foundations	\$ 314,181	\$ 218,875	\$ 533,056
Contributions - member organizations	572,000	-	572,000
Contributions - other	378,016	-	378,016
Contributions - in-kind	197,079	-	197,079
Government contract income	1,357,729	-	1,357,729
Special events, net of direct benefit to donors of \$292,103	1,415,711	-	1,415,711
	<u>4,234,716</u>	<u>218,875</u>	<u>4,453,591</u>
Revenues			
Court awarded attorney fees	600,641	-	600,641
Rental income	10,000	-	10,000
Investment income	214,706	19,033	233,739
Miscellaneous	10,797	-	10,797
	<u>836,144</u>	<u>19,033</u>	<u>855,177</u>
	5,070,860	237,908	5,308,768
Net assets released due to satisfaction of purpose and time restrictions	646,083	(646,083)	-
	<u>5,716,943</u>	<u>(408,175)</u>	<u>5,308,768</u>
<b>Expenses</b>			
Program services			
Environmental Justice Program	972,618	-	972,618
Disability Justice Program	1,772,560	-	1,772,560
Pro Bono Clearinghouse	533,438	-	533,438
Health Justice Program	1,110,087	-	1,110,087
	<u>4,388,703</u>	<u>-</u>	<u>4,388,703</u>
Supporting services			
Management and general	659,859	-	659,859
Fundraising	389,261	-	389,261
	<u>1,049,120</u>	<u>-</u>	<u>1,049,120</u>
	<u>5,437,823</u>	<u>-</u>	<u>5,437,823</u>
<b>Changes in net assets</b>	279,120	(408,175)	(129,055)
<b>Net assets</b>			
Beginning of year	<u>3,604,985</u>	<u>3,087,032</u>	<u>6,692,017</u>
End of year	<u>\$ 3,884,105</u>	<u>\$ 2,678,857</u>	<u>\$ 6,562,962</u>

The Notes to Financial Statements are an integral part of this statement.

**New York Lawyers for the Public Interest, Inc.**  
**Statement of Activities**  
**Year Ended May 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenues</b>			
Public support			
Contributions - foundations	\$ 420,750	\$ 375,151	\$ 795,901
Contributions - member organizations	659,991	-	659,991
Contributions - other	339,303	-	339,303
Contributions - in-kind	107,058	-	107,058
Government contract income	1,155,650	-	1,155,650
Special events, net direct benefit to donors of \$251,501	<u>1,160,054</u>	<u>-</u>	<u>1,160,054</u>
	<u>3,842,806</u>	<u>375,151</u>	<u>4,217,957</u>
Revenues			
Court awarded attorney fees	320,080	-	320,080
Rental income	60,763	-	60,763
Investment income	47,886	-	47,886
Miscellaneous	<u>2,489</u>	<u>-</u>	<u>2,489</u>
	<u>431,218</u>	<u>-</u>	<u>431,218</u>
	4,274,024	375,151	4,649,175
Net assets released due to satisfaction of purpose and time restrictions	<u>843,484</u>	<u>(843,484)</u>	<u>-</u>
	<u>5,117,508</u>	<u>(468,333)</u>	<u>4,649,175</u>
<b>Expenses</b>			
Program services			
Environmental Justice Program	848,890	-	848,890
Disability Justice Program	1,671,083	-	1,671,083
Pro Bono Clearinghouse	498,019	-	498,019
Health Justice Program	<u>1,008,718</u>	<u>-</u>	<u>1,008,718</u>
	<u>4,026,710</u>	<u>-</u>	<u>4,026,710</u>
Supporting services			
Management and general	652,845	-	652,845
Fundraising	388,564	-	388,564
Rental activity	<u>85,185</u>	<u>-</u>	<u>85,185</u>
	<u>1,126,594</u>	<u>-</u>	<u>1,126,594</u>
	<u>5,153,304</u>	<u>-</u>	<u>5,153,304</u>
<b>Changes in net assets</b>	(35,796)	(468,333)	(504,129)
<b>Net assets</b>			
Beginning of year	<u>3,640,781</u>	<u>3,555,365</u>	<u>7,196,146</u>
End of year	<u>\$ 3,604,985</u>	<u>\$ 3,087,032</u>	<u>\$ 6,692,017</u>

The Notes to Financial Statements are an integral part of this statement.

**New York Lawyers for the Public Interest, Inc.**  
**Statements of Cash Flows**  
**Years Ended May 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Changes in net assets	\$ (129,055)	\$ (504,129)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Bad debt expense	26,319	18,002
Depreciation	1,356	2,442
Realized and unrealized loss (gain) on investments	150,978	(32,519)
Allowance on attorney fee awards receivable	(10,621)	(17,082)
Changes in assets and liabilities		
Government contracts receivable	(124,141)	(60,625)
Contributions receivable	(214,553)	42,473
Attorney fee awards receivable	51,139	(21,649)
Prepaid expenses	41,195	(35,316)
Security deposits	(55,500)	-
Accounts payable and accrued expenses	717,520	(187,411)
Subtenant security deposits	-	2,000
Deferred income	(2,138)	(250)
Deferred rent	206,971	(45,078)
Refundable advance	463,010	-
Net cash provided by (used in) operating activities	<u>1,122,480</u>	<u>(839,142)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(114,539)	-
Purchase of investments	(780,430)	(294,910)
Sales of investments	293,780	653,267
Net cash (used in) provided by investing activities	<u>(601,189)</u>	<u>358,357</u>
Net change in cash and cash equivalents	521,291	(480,785)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,877,803</u>	<u>2,358,588</u>
End of year	<u>\$ 2,399,094</u>	<u>\$ 1,877,803</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.



**New York Lawyers for the Public Interest, Inc.**  
**Statement of Functional Expenses**  
**Year Ended May 31, 2020**

	Program Services					Supporting Services			Grand Total
	Environmental Justice Program	Disability Justice Program	Pro Bono Clearing-house	Health Justice Program	Total	Management and General	Fundraising	Total	
Salaries	\$ 569,788	\$ 987,851	\$ 272,965	\$ 546,381	\$ 2,376,985	\$ 275,427	\$ 199,558	\$ 474,985	\$ 2,851,970
Employee benefits and payroll taxes	168,138	342,120	100,601	222,731	833,590	93,802	71,213	165,015	998,605
Accounting	-	-	-	-	-	90,000	-	90,000	90,000
Audit	-	-	-	-	-	25,802	-	25,802	25,802
Consultants	28,742	56,666	17,546	51,321	154,275	1,898	2,010	3,908	158,183
Depreciation	-	-	-	-	-	1,356	-	1,356	1,356
Equipment rentals	4,582	8,238	2,419	5,357	20,596	1,998	1,824	3,822	24,418
Insurance	5,557	9,545	2,846	6,317	24,265	2,400	2,112	4,512	28,777
Library	3,354	6,181	1,745	3,879	15,159	97	85	182	15,341
Donated legal services	-	3,818	28,060	46,230	78,108	32,971	-	32,971	111,079
Postage and messenger	170	525	137	420	1,252	168	1,114	1,282	2,534
Occupancy	139,545	261,798	78,809	159,307	639,459	75,741	72,068	147,809	787,268
Repairs and maintenance	17,602	30,750	9,081	20,031	77,464	7,587	6,845	14,432	91,896
Stationery and office expense	2,948	5,214	1,657	3,308	13,127	1,877	3,856	5,733	18,860
Telephone	2,398	4,632	1,142	2,821	10,993	1,033	841	1,874	12,867
Temporary office staff	594	3,480	326	4,269	8,669	264	245	509	9,178
Travel, meetings and conferences	1,814	3,655	576	1,668	7,713	345	509	854	8,567
Printing and duplication	996	2,568	463	1,247	5,274	461	2,640	3,101	8,375
Professional development	5,014	3,824	1,341	3,049	13,228	1,053	1,818	2,871	16,099
Technology	14,643	27,510	8,003	17,983	68,139	6,536	16,265	22,801	90,940
Other	4,347	9,250	4,678	10,108	28,383	12,218	4,314	16,532	44,915
Dues and contributions	2,386	4,935	1,043	3,660	12,024	506	1,944	2,450	14,474
Special event expenses	-	-	-	-	-	-	292,103	292,103	292,103
Bad debt expense	-	-	-	-	-	26,319	-	26,319	26,319
	972,618	1,772,560	533,438	1,110,087	4,388,703	659,859	681,364	1,341,223	5,729,926
Special event expenses, netted with income	-	-	-	-	-	-	(292,103)	(292,103)	(292,103)
	<u>\$ 972,618</u>	<u>\$ 1,772,560</u>	<u>\$ 533,438</u>	<u>\$ 1,110,087</u>	<u>\$ 4,388,703</u>	<u>\$ 659,859</u>	<u>\$ 389,261</u>	<u>\$ 1,049,120</u>	<u>\$ 5,437,823</u>

The Notes to Financial Statements are an integral part of this statement.

**New York Lawyers for the Public Interest, Inc.**  
**Statement of Functional Expenses**  
**Year Ended May 31, 2019**

	Program Services					Supporting Services				Grand Total
	Environmental Justice Program	Disability Justice Program	Pro Bono Clearing-house	Health Justice Program	Total	Management and General	Fundraising	Rental Activity	Total	
Salaries	\$ 512,685	\$ 1,032,382	\$ 289,327	\$ 579,032	\$ 2,413,426	\$ 276,606	\$ 239,104	\$ -	\$ 515,710	\$ 2,929,136
Employee benefits and payroll taxes	173,432	319,263	114,305	223,261	830,261	97,303	72,047	-	169,350	999,611
Accounting	-	-	-	-	-	90,000	-	-	90,000	90,000
Audit	-	-	-	-	-	23,925	-	-	23,925	23,925
Consultants	29,975	61,607	16,392	39,561	147,535	7,213	7,617	-	14,830	162,365
Depreciation	405	866	245	550	2,066	189	187	-	376	2,442
Equipment rentals	4,290	8,629	2,404	5,191	20,514	1,875	1,958	-	3,833	24,347
Insurance	4,679	9,025	2,483	5,204	21,391	1,961	2,119	-	4,080	25,471
Library	2,983	6,111	1,644	3,699	14,437	1	1	-	2	14,439
Donated legal services	3,547	7,571	2,143	4,808	18,069	88,990	-	-	88,990	107,059
Postage and messenger	355	837	227	624	2,043	274	2,736	-	3,010	5,053
Occupancy	72,599	140,125	38,590	80,692	332,006	30,008	32,481	79,329	141,818	473,824
Repairs and maintenance	5,742	11,200	3,094	6,513	26,549	2,413	2,592	5,115	10,120	36,669
Stationery and office expense	1,708	3,586	1,267	2,070	8,631	753	758	741	2,252	10,883
Telephone	4,185	8,618	2,216	4,945	19,964	1,884	1,823	-	3,707	23,671
Temporary office staff	1,450	2,903	808	11,183	16,344	631	661	-	1,292	17,636
Travel, meetings and conferences	1,831	5,052	1,364	2,438	10,685	400	638	-	1,038	11,723
Printing and duplication	751	1,602	2,064	747	5,164	217	7,866	-	8,083	13,247
Professional development	3,737	7,183	3,527	7,993	22,440	1,497	1,556	-	3,053	25,493
Technology	11,496	23,176	6,460	14,012	55,144	4,874	10,273	-	15,147	70,291
Other	10,343	16,592	7,771	12,634	47,340	3,008	2,455	-	5,463	52,803
Dues and contributions	2,697	4,754	1,688	3,560	12,699	823	1,692	-	2,515	15,214
Special event expenses	-	-	-	-	-	-	251,501	-	251,501	251,501
Bad debt expense	-	1	-	1	2	18,000	-	-	18,000	18,002
	<u>848,890</u>	<u>1,671,083</u>	<u>498,019</u>	<u>1,008,718</u>	<u>4,026,710</u>	<u>652,845</u>	<u>640,065</u>	<u>85,185</u>	<u>1,378,095</u>	<u>5,404,805</u>
Special event expenses, netted with income	-	-	-	-	-	-	(251,501)	-	(251,501)	(251,501)
	<u>\$ 848,890</u>	<u>\$ 1,671,083</u>	<u>\$ 498,019</u>	<u>\$ 1,008,718</u>	<u>\$ 4,026,710</u>	<u>\$ 652,845</u>	<u>\$ 388,564</u>	<u>\$ 85,185</u>	<u>\$ 1,126,594</u>	<u>\$ 5,153,304</u>

The Notes to Financial Statements are an integral part of this statement.

**New York Lawyers for the Public Interest, Inc.**  
**Notes to Financial Statements**  
**May 31, 2020 and 2019**

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**1. ORGANIZATION AND PURPOSE**

**Our Mission**

New York Lawyers for the Public Interest, Inc. (“NYLPI” or the “Organization”) is a New York nonprofit, civil rights law firm. Our mission is to advance equality and civil rights, with a focus on health justice, disability rights and environmental justice, through the power of community lawyering and partnerships with the private bar.

**Our Approach**

Through community lawyering, NYLPI puts its legal, policy and community organizing expertise at the service of New York City communities and individuals. NYLPI’s partnership with the private bar strengthens its advocacy and connects community groups and non-profits with critical legal assistance.

The *Pro Bono Clearinghouse* strengthens communities by providing innovative and effective nonprofit organizations with free legal services, drawing on volunteer lawyers from New York’s most prestigious law firms and corporate law departments. It helps nonprofits and community groups thrive by providing resources that help organizations overcome legal obstacles, build capacity, and develop stronger and more effective programs.

The *Disability Justice Program* works to advance civil rights and ensure equality of opportunity, self-determination, and independence for people with disabilities.

The *Health Justice Program* works to ensure access to quality health care for people in medically underserved communities or facing barriers due to limited English proficiency, racial and ethnic discrimination, or disability.

The *Environmental Justice Program* provides organizing and legal assistance to low-income neighborhoods and communities of color that bear an unfair burden of environmental threats.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended May 31, 2020 and 2019, NYLPI had accounting transactions in the net assets without donor restrictions and with donor restriction categories. The net assets without donor restrictions category represents net assets that are not subject to donor imposed restrictions, and the net assets with donor restrictions category represents net assets that are subject to time or purpose donor imposed restrictions and that are subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of NYLPI.

**Revenue and Support Recognition**

Contributions are recognized as revenue when they are received or unconditionally pledged and recorded as without donor restrictions or with donor restrictions support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

**New York Lawyers for the Public Interest, Inc.**  
**Notes to Financial Statements**  
**May 31, 2020 and 2019**

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Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NYLPI accounts for those contract revenues which have been determined to be exchange transactions in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Revenues without donor restrictions are obtained through member law firm, foundation, corporation and general public contributions. These revenues are used to provide program services as well as to offset general and administrative expenses.

Court awarded attorney fees are recorded as revenue based upon the execution of a stipulation or court order awarding the fees or based upon the entitlement to fees for work performed monitoring court ordered injunctions.

Donated services from volunteers, member law firms and corporate law departments are received (a) to support programs and (b) to support operations. Donated services received to support program related services (Pro Bono Clearinghouse matters and pro bono co-counseling) are not recorded as contribution revenue because they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. However, donated services from member law firms to support operations (such as pro bono governance and employment advice) are recorded as contributions in these financial statements along with a corresponding expense. The value of these services is \$111,079 and \$107,058 for the years ended May 31, 2020 and 2019, respectively.

Special event revenue is recorded net of direct expenses and is recorded in the period the event is held.

**Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that can be identified with a specific program within Program Services (Environmental Justice, Disability Justice, Pro Bono Clearing House, and Health Justice) or Supporting Services (Management and General and Fundraising) are charged directly to that Program Service or Supporting Service. Costs common to multiple functions have been allocated amongst the Program Services and Supporting Services based on full time equivalents and other methods:

- Salary and fringe costs are allocated by estimating the full time equivalent (“FTE”) percentages that each employee spends on a given Program Service or Support Service.
- Occupancy is allocated to the Program Service or Support Service based on a ratio that takes into account the floor that each employee sits on and each employee’s FTE for a given Program Service or Support Service.
- Other expenses are allocated using total Program Service or Support Service FTEs.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of cash in banks, certificates of deposit with a maturity of three months or less at the date of acquisition, and money market accounts.

**New York Lawyers for the Public Interest, Inc.**  
**Notes to Financial Statements**  
**May 31, 2020 and 2019**

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**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at market value in the statements of financial position. The fair values for equity securities and debt securities are based on quoted market prices.

Gains and losses on dispositions of investments are accounted for on the specific identification basis. Net realized and unrealized gains and losses are included in the statements of activities.

**Certificates of Deposit**

Certificates of deposit are stated at market value. Certificates of deposit consist of bank certificates of deposit maturing through November 2020 and are stated at the year-end market value. Unrealized gains and losses are included in the statements of activities.

**Government Contracts Receivable**

Government contracts receivable consists of certain amounts due from various funding sources which resulted from expenditures incurred in excess of payments received.

**Use of Accounting 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. There were significant estimates recorded in these financial statements for allowance for uncollectible pledges.

**Property and Equipment**

The principal rates for computing depreciation and amortization by major asset categories are as follows:

<u>Description</u>	<u>Estimated Useful Lives (Years)</u>
Furniture and fixtures	5
Office equipment	5
Leasehold improvements	10 - 20
Software	5

Depreciation expense amounted to \$1,356 and \$2,442 in 2020 and 2019, respectively.

**Valuation of Long-Lived Assets**

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including cash and cash equivalents, investments, government contracts, attorney fee awards and contributions receivable, accounts payable and short-term debt approximate their fair values because of the relatively short maturity of these instruments.

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**Income Taxes**

NYLPI is exempt from Federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under applicable state law. Accordingly, no provision for Federal or state income taxes has been recorded in the statements of activities. It is the Organization's accounting policy to evaluate uncertain tax positions in accordance with the accounting pronouncement on uncertainty in income taxes. Management has determined that there are no uncertain tax positions at the Organization. NYLPI did not record any income tax related penalties or interest for the periods presented in these financial statements.

**Fair Value Accounting**

NYLPI has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of May 31, along with the basis for the determination of fair value:

	2020		2019	
	Total	Observable Criteria (Level 1)	Total	Observable Criteria (Level 1)
Exchange-traded funds				
Basic materials	\$ 18,527	\$ 18,527	\$ 22,972	\$ 22,972
Communication services	35,437	35,437	22,874	22,874
Consumer cyclical	32,013	32,013	50,151	50,151
Consumer defensive	64,378	64,378	63,554	63,554
Energy	29,872	29,872	44,757	44,757
Financial services	107,379	107,379	138,067	138,067
Healthcare	124,244	124,244	108,238	108,238
Industrials	69,922	69,922	81,156	81,156
Real estate	18,108	18,108	20,548	20,548
Technology	61,875	61,875	67,491	67,491
Utilities	35,834	35,834	36,443	36,443
Certificates of deposit	351,602	351,602	-	-
Mutual funds				
Foreign large blend	136,324	136,324	148,243	148,243
Foreign large growth	142,332	142,332	-	-
Intermediate core bond	417,632	417,632	-	-
Large growth	568,100	568,100	558,087	558,087
Mid-cap blend	205,780	205,780	414,306	414,306
Emerging markets bond	102,612	102,612	215,618	215,618
Short term bond	796,142	796,142	362,635	362,635
Multisector bond	279,336	279,336	494,554	494,554
Other	-	-	412,083	412,083
	<u>\$ 3,597,449</u>	<u>\$ 3,597,449</u>	<u>\$ 3,261,777</u>	<u>\$ 3,261,777</u>

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For applicable assets (liabilities), the Organization will value such assets (liabilities) using quoted market prices in active markets (Level 1) for identical assets (liabilities) to the extent possible. To the extent that such markets are not available, the Organization will next attempt to value such assets (liabilities) using observable measurement criteria (Level 2), including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization will develop measurement criteria based on the best information available (Level 3).

**Concentration of Credit Risk**

Financial instruments which potentially subject NYLPI to concentrations of credit risk consist of cash and cash equivalents at various quality financial institutions. During the years ended May 31, 2020 and 2019, NYLPI had interest bearing cash and cash equivalents in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. NYLPI has not experienced any losses in such accounts and believes such balances are not exposed to any significant risk.

**3. NEW ACCOUNTING PRONOUNCEMENT ADOPTED IN THE CURRENT YEAR**

**Revenue Recognition - Contributions**

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The adoption of this ASU had no impact on current or prior periods’ ending net assets or changes in net assets.

**Financial Instruments**

During 2019, the Organization adopted ASU 2016-01, *Financial Instruments* (Topic 825). This ASU required all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). In addition, the amendments in this ASU eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.

**4. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET ADOPTED**

*Revenue Recognition*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2020-05, is effective for annual periods and interim periods beginning after December 15, 2020. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

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*Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

NYLPI is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

**5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of May 31, 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and fulfillment of payables and other obligations, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 2,028,750	\$ 1,877,803
Investments other	3,269,449	2,933,777
Government contracts receivable	567,141	443,000
Contributions receivable, net	1,247,186	1,058,952
Attorney fee awards receivable	<u>144,124</u>	<u>184,642</u>
Total financial assets	<u>7,256,650</u>	<u>6,498,174</u>
Less financial assets unavailable for general expenditures within one year, due to		
Board designated reserve	(607,174)	(607,174)
Assets restricted by donor with time and purpose restrictions		
Taconic Fund	(1,849,120)	(1,999,120)
Litigation Fund	<u>(124,534)</u>	<u>(124,534)</u>
Total financial assets unavailable	<u>(2,580,828)</u>	<u>(2,730,828)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,675,822</u>	<u>\$ 3,767,346</u>

The financial assets listed above as available to meet general expenditures are not subject to donor or other contractual restrictions. Contributions with donor restrictions that will be met over the next twelve months are not subtracted from total financial assets, making them available for general expenditures for the purpose of the liquidity calculation. NYLPI is substantially supported by annual contributions without donor restrictions.

NYLPI manages its financial assets to be available as its general expenditures and other obligations come due. In addition, NYLPI invests cash in excess of daily requirements in short-term investments. The board designated reserve was established by the governing board as a secondary reserve, and the funds are not available for general expenditures unless authorized by the Executive Committee. The fund’s stated purpose is to help to ensure the long-term financial stability of NYLPI and position it to respond to varying economic conditions and changes affecting NYLPI’s financial position and its ability to continuously carry out its mission. The fund has been increased occasionally when the Organization earns an operating surplus.



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In the event of an unanticipated liquidity need, NYLPI could draw upon the board designated reserve (with Executive Committee approval) or its \$500,000 line of credit which was fully available at year end. (See Note 8 for additional information).

**6. INVESTMENTS**

Investments at May 31 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Exchange-traded funds	\$ 597,589	\$ 512,893	\$ 656,251	\$ 623,658
Certificates of deposit	351,602	350,000	-	-
Mutual funds	<u>2,648,258</u>	<u>2,318,889</u>	<u>2,605,526</u>	<u>2,209,139</u>
	<u>\$ 3,597,449</u>	<u>\$ 3,181,782</u>	<u>\$ 3,261,777</u>	<u>\$ 2,832,797</u>

Investment income (loss) was comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 113,235	\$ 107,882
Net realized and unrealized gains (losses)	150,978	(32,519)
Investment fees	<u>(30,474)</u>	<u>(27,477)</u>
	<u>\$ 233,739</u>	<u>\$ 47,886</u>

**7. CONTRIBUTIONS RECEIVABLE**

Contributions receivable for unconditional promises to give at May 31 are as follows:

	<u>2020</u>	<u>2019</u>
Annual Law Firm Campaign	\$ 395,000	\$ 337,500
Special Events Pledges	467,500	261,000
Board Member Pledges	194,474	165,000
Foundations	118,480	226,049
Other	47,337	20,008
Partnering for Justice Campaign Pledges	<u>126,251</u>	<u>126,251</u>
	1,349,042	1,135,808
Allowance for uncollectible pledges	<u>(101,856)</u>	<u>(76,856)</u>
Pledges receivable, net	1,247,186	1,058,952
Receivable less than one year	<u>1,247,186</u>	<u>1,058,952</u>
Receivable in one to five years	<u>\$ -</u>	<u>\$ -</u>

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**8. LINE OF CREDIT**

NYLPI has an available credit line agreement with TD Bank, N.A in the amount of \$500,000, collateralized by the assets of the Organization, which expires March 12, 2021. Interest charged on the outstanding line of credit is the higher of the *Wall Street Journal* Prime Rate or 3.25%. No amounts were outstanding as of May 31, 2020 and 2019.

**9. REFUNDABLE ADVANCE**

On April 17, 2020, the Organization obtained a Paycheck Protection Program loan under the Division A, Title I of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act in the amount of \$677,010 through TD Bank. The loan may be forgiven in whole or in part upon a review by the financial institution of the Organization’s use of the loan proceeds in accordance with the CARES Act. If the financial institution determines the criteria for debt forgiveness has not been met, the loan matures April 17, 2022 and interest accrues at 1% per year. Any such debt forgiveness would be recognized at the time that the financial institution completed the aforementioned review and approved the forgiveness of the loan. The Organization’s management has determined \$214,000 should be recorded as a conditional contribution. At May 31, 2020, the refundable advance balance is \$463,010.

**10. EMPLOYEE BENEFIT PLANS**

NYLPI maintains an Internal Revenue Code section 403(b) tax shelter annuity plan. NYLPI contributes an amount equal to 5% of employees’ salary on an annual basis to the plan for employees with more than one year of service to NYLPI. In addition, NYLPI will match employee contributions up to an additional 2.5% of employees’ salary on an annual basis. Employee contributions are made to the plan.

Pension plan expense included in employee benefits and payroll taxes for the years ended May 31, 2020 and 2019 amounted to \$207,656 and \$184,893, respectively. NYLPI’s policy is to fund pension plan expense currently.

**11. NET ASSETS**

Components of net assets at May 31 were as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions		
General operations	\$ 3,276,931	\$ 2,997,811
Board designated reserve	<u>607,174</u>	<u>607,174</u>
	<u>\$ 3,884,105</u>	<u>\$ 3,604,985</u>

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	<u>2020</u>	<u>2019</u>
With donor restrictions		
Program		
Taconic Fund	\$ 1,849,120	\$ 1,999,120
Capital campaign	51,895	51,895
Litigation Fund	124,534	124,534
Environmental Justice	142,937	-
Disability Justice	93,338	243,500
Health Justice	70,000	163,333
Communications	-	150,000
Time restriction	-	26,650
Endowment		
Disadvantaged Law Student Scholarships	82,568	78,000
Felix Fishman Award	264,465	250,000
	<u>\$ 2,678,857</u>	<u>\$ 3,087,032</u>

**12. LEASE COMMITMENTS**

NYLPI rents office and program space under two non-cancelable operating leases expiring in October 2019. In August 2019, the leases were extended through October 31, 2029. The leases cover original space and additional space at the same location in New York City. NYLPI's rent expense pursuant to the operating leases was \$689,372 and \$448,108 for the years ended May 31, 2020 and 2019, respectively. Deferred rent of \$95,577 is comprised of the difference between the rent expense under the terms of the lease and the rent expense being recorded on a straight-line basis as required.

Subleasing of a portion of the additional space under short-term leases generated rental income of \$10,000 and \$60,763 for the years ended May 31, 2020 and 2019, respectively.

NYLPI's future minimum payments are as follows May 31:

2021	\$ 715,281
2022	733,163
2023	751,492
2024	770,280
2025	789,537
Thereafter	<u>3,727,357</u>
	<u>\$ 7,487,110</u>

**13. COMMITMENTS AND CONTINGENCIES**

At May 31, 2020, the Organization had remaining available award balances on government conditional grants and contracts for sponsored projects of \$753,709. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

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**14. ENDOWMENTS**

The Organization adopted Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds. This publication provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This pronouncement also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The Organization’s endowments consist of the Disadvantaged Law Student Scholarship Fund and the Felix Fishman Award endowment funds in which the principal is invested in perpetuity and the income is expendable to support the designated purpose; operations from the Disadvantaged Law Student Scholarship Fund and the Felix Fishman Award. As required by Generally Accepted Accounting Principles in the United States of America, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation

The Organization follows the New York State Not-For-Profit Corporation Law (“N-PCL”) when dealing with donor-restricted contributions. The law preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Currently there are no gifts that require the accumulation of earnings as additions to the permanent endowments. The portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions based on donor stipulations.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment policy

The Organization shall be responsible for maintaining a policy of prudent investment in stocks, bonds, real estate, mutual funds, non-marketable securities such as private placements and limited partnerships, and other similar financial and trust instruments or interests. The Organization shall make the decisions leading to the timely purchase or sale of securities, interests, or instruments and shall make analyses of the market conditions as well, in the Organization’s judgment, provide for both short-term and long-term investment strategies. Investments may be made on behalf of the Organization by independent investment managers selected by the Organization and are regularly reviewed for performance.

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Spending policy

The Organization can spend all investment earnings on invested funds for the restricted purposes associated with the endowment.

Endowment net asset composition by type of fund as of May 31 is as follows:

	<u>2020</u>	<u>2019</u>
Donor restricted "true" endowment		
Historical gift value	\$ 328,000	\$ 328,000
Appreciation	19,033	-
Endowment net assets, May 31	<u>\$ 347,033</u>	<u>\$ 328,000</u>

Changes in endowment net assets as of May 31, 2020 and 2019 are as follows:

	<u>2020</u> <u>With Donor</u> <u>Restrictions</u>	<u>2019</u> <u>With Donor</u> <u>Restrictions</u>
Endowment net assets, June 1	\$ 328,000	\$ 359,255
Investment return	7,472	3,391
(Depreciation)/appreciation	20,836	(4,731)
Amounts appropriated for expenditure	<u>(9,275)</u>	<u>(29,915)</u>
Endowment net assets, May 31	<u>\$ 347,033</u>	<u>\$ 328,000</u>

**15. RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus ("COVID-19") a "Public Health Emergency of International Concern" and in early March 2020, declared the Coronavirus outbreak a global pandemic. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**16. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 11, 2021, which is the date the financial statements were available to be issued. Based upon this evaluation, NYLPI has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.