

THE PUBLIC INTEREST LAW CENTER

FINANCIAL STATEMENTS
December 31, 2020
(With Comparative Totals for 2019)

THE PUBLIC INTEREST LAW CENTER

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
<u>Financial Statements:</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Public Interest Law Center
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of The Public Interest Law Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities 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 above present fairly, in all material respects, the financial position of The Public Interest Law Center as of December 31, 2020 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Organization has corrected the classification of funds to properly reflect the existence of restriction by the donor. The opening net asset balances as of January 1, 2019 have been restated to reflect this classification.

Report On Summarized Comparative Information

We have previously audited The Public Interest Law Center's 2019 financial statements, and, our report dated May 29, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SNYDER, DAITZ & COMPANY
Philadelphia, PA

July 16, 2021

THE PUBLIC INTEREST LAW CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 1,111,171	\$ 1,037,050
Accounts receivable	23,862	39,499
Grants and contributions receivable	694,764	634,934
Prepaid expenses	44,202	35,535
Total Current Assets	\$ 1,873,999	\$ 1,747,018
<u>OTHER ASSETS</u>		
Grants and contributions receivable	\$ 231,750	\$ 320,691
Investments	2,649,091	2,033,513
Property and equipment, net	34,499	45,152
Security deposit	11,923	11,923
	\$ 2,927,263	\$ 2,411,279
Total Assets	\$ 4,801,262	\$ 4,158,297
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 12,366	\$ 26,008
Payroll and withholdings payable	36,492	35,792
Agency funds liability	198,327	187,106
Deferred rent	58,047	24,517
Loan payable	243,700	0
Total Current Liabilities	\$ 548,932	\$ 273,423
<u>NET ASSETS</u>		
Without donor restrictions		
Other unrestricted	\$ 1,344,633	\$ 1,476,277
Designated by the Board	1,399,530	1,123,038
Total Without Donor Restrictions	\$ 2,744,163	\$ 2,599,315
With donor restrictions	1,508,167	1,285,559
	\$ 4,252,330	\$ 3,884,874
Total Liabilities and Net Assets	\$ 4,801,262	\$ 4,158,297

The accompanying letter and notes are an integral part of this statement.

THE PUBLIC INTEREST LAW CENTER

STATEMENT OF ACTIVITIES
Year ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<u>REVENUE</u>				
Grants and contributions	\$ 48,933	\$ 711,091	\$ 760,024	\$ 624,531
Legal community and other support	1,047,056	208,900	1,255,956	1,785,015
In-kind legal services	2,654,002	0	2,654,002	1,035,595
Fee awards	10,767	0	10,767	170,091
Contracts and honorarium	140,448	0	140,448	127,444
Investment income	176,403	5,130	181,533	201,370
Net assets released from restrictions:				
Satisfaction of purpose restrictions	631,439	(631,439)	0	0
Satisfaction of time restrictions	71,074	(71,074)	0	0
Total Revenue	\$ 4,780,122	\$ 222,608	\$ 5,002,730	\$ 3,944,046
<u>EXPENSES AND LOSSES</u>				
Program services	\$ 4,150,274	0	\$ 4,150,274	\$ 2,380,589
General and administrative	294,569	0	294,569	209,223
Fundraising	190,431	0	190,431	229,567
Total Expenses	\$ 4,635,274	0	\$ 4,635,274	\$ 2,819,379
Change in Net Assets	\$ 144,848	\$ 222,608	\$ 367,456	\$ 1,124,667
Net Assets, Beginning - Restated (Note 9)	2,599,315	1,285,559	3,884,874	2,760,207
Net Assets, Ending	\$ 2,744,163	\$ 1,508,167	\$ 4,252,330	\$ 3,884,874

The accompanying letter and notes are an integral part of this statement.

THE PUBLIC INTEREST LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2020
 (With Comparative Totals for 2019)

	<u>Program Services</u>	<u>General & Administration</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
<u>EXPENSES</u>					
Cases and court costs	\$ 17,337	0	0	\$ 17,337	\$ 29,834
In-kind legal services	2,652,777	\$ 1,225	0	2,654,002	1,035,595
Salaries	925,396	108,126	\$ 113,006	1,146,528	1,051,802
Payroll taxes	69,672	8,115	8,547	86,334	78,123
Benefits	42,078	4,901	5,162	52,141	52,203
Retirement	22,422	2,612	2,751	27,785	17,544
Professional fees	133,081	134,653	1,720	269,454	106,719
Rent and electricity	127,880	13,116	15,146	156,142	122,391
Conference and travel	5,543	0	0	5,543	19,249
Insurance	22,256	2,283	2,636	27,175	26,082
Library and subscriptions	15,029	0	0	15,029	24,984
Newsletter and fundraising	1,999	0	1,999	3,998	14,450
Office expenses	76,736	18,643	9,088	104,467	132,958
Events expenses	29,343	0	29,343	58,686	103,088
Depreciation	8,725	895	1,033	10,653	4,357
	<u>\$ 4,150,274</u>	<u>294,569</u>	<u>190,431</u>	<u>\$ 4,635,274</u>	<u>\$ 2,819,379</u>

The accompanying letter and notes are an integral part of this statement.

THE PUBLIC INTEREST LAW CENTER

STATEMENT OF CASH FLOWS Year ended December 31, 2020 (With Comparative Totals for 2019)

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 367,456	\$ 1,124,667
Adjustments to reconcile to cash from operations		
Donated securities	(91,811)	(108,835)
Gain on market value of securities	(107,073)	(128,844)
Depreciation	10,653	4,357
Dividends	(73,799)	(69,352)
Contributions restricted for permanent endowment	(152,000)	(111,600)
(Increase) decrease in:		
Accounts receivable	15,637	(36,999)
Grants and contributions receivable	29,111	(557,682)
Prepaid expenses	(8,667)	(12,988)
Security deposit	0	(11,923)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,642)	21,973
Payroll and withholdings payable	700	4,830
Deferred revenue	0	(29,005)
Agency funds liability	11,221	104,009
Deferred rent	33,530	24,517
 Net cash provided by operating activities	 \$ 21,316	 \$ 217,125
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividends	\$ 73,799	\$ 69,352
Proceeds from sale of investments	0	2,544
Purchase of investments, including reinvested dividends net of fees	(416,694)	(182,925)
Purchase of office furniture	0	(36,770)
Purchase of leasehold improvements	0	(6,630)
 Net cash used by investing activities	 \$ (342,895)	 \$ (154,429)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing on PPP Loan	\$ 243,700	\$ -
Contributions restricted for permanent endowment	152,000	111,600
 Net cash provided by operating activities	 \$ 395,700	 \$ 111,600
 Net Increase in Cash for Year	 \$ 74,121	 \$ 174,296
Cash balance, beginning	1,037,050	862,754
Cash balance, ending	\$ 1,111,171	\$ 1,037,050
<u>NON-CASH TRANSACTIONS:</u>		
Transactions with the Organization's brokerage account, which were retained within the account and did not affect cash, include the following:		
Sale of securities	342,015	74,505
Donated securities received	91,811	108,835
Reinvested interest and dividends	73,799	69,352
Investment fees	605	767

The accompanying letter and notes are an integral part of this statement.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - ORGANIZATIONAL ACTIVITY

The Public Interest Law Center (formerly Public Interest Law Center of Philadelphia) was incorporated January 31, 1974 under the Non-Profit Corporation Law of the Commonwealth of Pennsylvania. Its purpose is to provide legal services in the public interest through legal representation and litigation, counseling, aid and assistance to individuals, groups, and organizations requiring or requesting such services. The major sources of the Organization's revenue come from support from the legal community, general public, its Board, and foundations in the form of contributions, grants and contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through July 16, 2021, which is the date the financial statements were available to be issued.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements are presented in accordance with FASB ASC 958 Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are detailed in Note 8.

Adoption of New Accounting Standards

On January 1, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's revenue that fall within the scope of ASC 606 are presented as such and are recognized as revenue as the Organization satisfies its obligation to the customer. Revenue within the scope of ASC 606 primarily includes its fee awards and contracts for program services. Funds received in advance, with the obligation to the customer yet to be delivered are recorded as deposit liabilities on the balance sheet. The net effect of the change on revenue and net assets was immaterial.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

Significant estimates are made in calculating the value of donated services.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and highly liquid instruments purchased with an original maturity of three months or less.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable Reserves

The Organization reviews its receivables on a regular basis for collectability. The Organization considers all receivables fully collectible, accordingly, no allowance for doubtful accounts is required. When a question of the collectability of a particular receivable arises it is written off or reserved for at that time. Recoveries of items previously charged off are recognized as income when received.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is provided over the estimated useful lives of the related assets, 3 to 10 years, using the straight-line method. Major renewals and improvements are recorded to the assets accounts while maintenance and repairs which do not improve or extend the life of the respected assets are expensed.

Revenue

Awards for fees and out-of-pocket costs are awarded by court order or settlement and are recorded when awarded or when a settlement agreement is finalized by its terms. Other revenue is recognized when it is earned under the terms of the contract.

Contributions

Contributions received are recorded as "without donor restrictions" or "with donor restrictions", depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in with donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Only a donor can impose a restriction; the Board may designate contributions for a purpose, but the contribution is classified as unrestricted in that case. If a contribution is made with a donor-imposed condition, it is not recorded until the condition has been met.

A further distinction is to be made whether a gift is a contribution (a voluntary non-reciprocal transfer of funds or cancellation of liability from one organization to another); an exchange transaction (each party receives and sacrifices commensurate value); or an agency transaction (the recipient organization acts as an agent, trustee, or intermediary on behalf of another organization).

A promise to give is a written agreement to contribute if there is sufficient evidence in the form of verifiable documentation that a promise was made and received and that it is legally enforceable. When a promise to give is recorded, it requires the same classifications and distinctions as a contribution, as above.

Contributions with donor-imposed restrictions or conditions are to be recorded as restricted support even if the restriction or condition is met in the same reporting period.

Donated marketable securities and long-lived assets are recorded as contributions at their fair values at the date of donation.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services

As prescribed by FASB ASC 958, The Public Interest Law Center has recognized contributions of \$2,654,002 in professional services from 27 individuals and firms in 2020, and \$1,035,595 in professional services from 13 individuals and firms in 2019, which were donated to the organization in connection with its operations. This amount is included both in revenue under legal community and other support, and in expense as in-kind legal services.

The value of the services is determined using industry knowledge of rates quoted, applied to the hours reported by the professionals. The rate used in the calculation is based on the lower rates quoted. The value of the services is recognized only where there is no potential compensation to the firm or individual.

In addition, The Public Interest Law Center receives a significant amount of additional professional services in connection with certain cases where the individuals and firms may possibly be compensated if the cases result in a favorable outcome. The value of these services, not recognized in the financial statements, is estimated to be approximately \$827,178 in 2020 and \$97,320 in 2019.

A substantial number of unpaid volunteers also donate their time and effort to The Public Interest Law Center. The value of these services is not recognized in the financial statements as they do not meet the criteria for recognition under FASB ASC 958.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Salaries and benefits are allocated based on estimates of time and effort. Professional fees, newsletter and event expenses are allocated based on the cost, usage and related benefits of the specific services provided. Rent and occupancy, insurance, office expenses and depreciation are allocated based on the percentages derived from the estimated allocation of salaries. Certain other cost including cases and court cost, legal including in-kind, conferences and travel, and library and subscription costs, are related directly to the Organization's programs and are thus reflected as program costs.

Income Taxes

The Public Interest Law Center is a non-profit corporation exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain prior year's amounts have been reclassified to conform with the December 31, 2020 presentation. The effects of the reclassification of donor restricted funds are reflected in Note 9.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 3 – LIQUIDITY MANAGEMENT

The Public Interest Law Center's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$1,111,171
Accounts receivable	23,862
Grants and contributions receivable	694,764
Investments	<u>2,649,091</u>
Total financial assets	<u>\$4,478,888</u>
Less: Amounts not available to be used within one year:	
Net assets with purpose restrictions	
Cash	(\$ 454,666)
Grants and contributions receivable	(541,943)
Net assets with time restrictions beyond one year:	
Grants and contributions receivable	(181,750)
Investments:	
Robert Wolf Fund included in Vanguard funds	(101,011)
Thomas L. Gilhool Disabilities Rights Center Fund at Philadelphia Foundation	(72,846)
Barbara Macholz Grimaldi Racial Justice Fund included in Vanguard Funds	(50,000)
Capital Campaign Permanent Endowment Funds included in Vanguard Funds	<u>(213,600)</u>
	<u>(\$1,615,816)</u>
Financial assets available to meet general expenditures over the next year	<u>\$2,863,072</u>

Cash and cash equivalents of \$1,111,171 reflected on the statement of financial position includes \$454,666 of cash restricted by donors for certain purposes.

Grants and contributions receivable of \$694,764 reflected on the statement of financial position includes \$541,943 restricted by donors for certain purposes, and \$181,750 subject to a time implied restriction beyond one year.

The investments of \$2,649,091 reflected on the statement of financial position can be liquidated with board authorization and would be available if necessary, except for the amounts held in the four permanent endowment funds.

The Public Interest Law Center's goal is generally to maintain financial assets available to meet 90 days of operating expenses.

As part of its liquidity plan, the Organization's audit/finance committee performs a monthly review of financial statements, and reviews the Organization's cash as well as its projected cash flows. If additional cash is projected to be needed, the Organization has available unrestricted liquid investments in a Vanguard Money Market fund. It also maintains a \$250,000 line of credit with a banking institution. The audit/finance committee also considers on a periodic basis whether to invest a portion of the Organization's operational cash or liquid investments in higher yield investments.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 4 - INVESTMENT AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>
2020				
Vanguard Funds				
Conservative Growth	\$ 683,739	\$ 809,609	\$ 809,609	0
Managed Allocation	1,049,246	1,055,059	1,055,059	0
Short-Term Investment Growth	347,267	347,582	347,582	0
Money Market Fund	<u>110,095</u>	<u>110,095</u>	<u>110,095</u>	<u>0</u>
Total Vanguard Funds	\$2,190,347	\$2,322,345	\$2,322,345	0
Other investments				
Vanguard US Stock EFT	\$ 250,671	\$ 253,900	\$ 253,900	0
Beneficial Interests in Funds Held by Community Foundations				
Philadelphia Foundation	<u>\$ 52,980</u>	<u>\$ 72,846</u>	<u>0</u>	<u>\$ 72,846</u>
	<u>\$2,493,998</u>	<u>\$2,649,091</u>	<u>\$2,576,245</u>	<u>\$ 72,846</u>
2019				
Vanguard Funds				
Conservative Growth	\$ 657,782	\$ 726,032	\$ 726,032	0
Managed Allocation	776,373	757,712	757,712	0
Money market fund	<u>447,073</u>	<u>447,073</u>	<u>447,073</u>	<u>0</u>
Total Vanguard Funds	\$1,881,228	\$1,930,817	\$1,930,817	0
Other investments				
Equity securities	\$ 35,129	\$ 35,280	\$ 35,280	0
Beneficial Interests in Funds Held by Community Foundations				
Philadelphia Foundation	<u>\$ 52,693</u>	<u>\$ 67,416</u>	<u>0</u>	<u>\$ 67,416</u>
	<u>\$1,969,050</u>	<u>\$2,033,513</u>	<u>\$1,966,097</u>	<u>\$ 67,416</u>

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2020 and 2019 are reported in investment income or losses on the Statement of Activities. All such gains and losses for 2020 and 2019 were a result of transactions where values have been measure using Level 1 inputs, except for gains of \$5,735 in 2020, and gains of \$9,179 in 2019, which were measured using Level 2 inputs.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 4 - INVESTMENT AND FAIR VALUE MEASUREMENTS – CONTINUED

FASB ASC 820-10 (formerly No. 157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are those other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 inputs are those unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, with fair value of investments based on quoted net asset values of shares held at year-end. Level 2 inputs were used where available to the Organization, and Level 3 inputs are only used when Level 1 and 2 inputs are not available

Level 1 Fair Value Measurements

The fair value of mutual funds are based on quoted net asset values of the shares held at year-end.

Level 2 Fair Value Measurements

The fair value of Beneficial Interests in Funds Held by Community Foundations are valued at cost, which approximates the fair value of the assets held at the foundation at year end.

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Represents unconditional promises to give, as explained in Note 2, for use as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign pledges	\$611,125	\$614,244
Housing	145,443	\$265,067
Community Representations	100,000	0
Environment	50,000	0
Fair Education Funding	0	7,481
General Operating Grants	<u>25,000</u>	<u>78,750</u>
	\$931,568	\$965,542
Less: Unamortized discount	<u>(5,054)</u>	<u>(9,917)</u>
	<u>\$926,514</u>	<u>\$955,625</u>
Amounts due:		
Within one year	\$694,764	\$634,934
One to five years	<u>231,750</u>	<u>320,691</u>
	<u>\$926,514</u>	<u>\$955,625</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$181,917	\$181,917
Leasehold improvements	<u>6,630</u>	<u>14,145</u>
	\$188,547	\$196,062
Less: Accumulated Depreciation	<u>154,048</u>	<u>150,910</u>
	<u>\$ 34,499</u>	<u>\$ 45,152</u>

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 7 - LINE OF CREDIT

The Public Interest Law Center has a \$250,000 revolving line of credit with Huntington National Bank dated September 23, 2011 and available until July 10, 2022. Outstanding balances are due on demand and carry interest at a variable rate equal to the 30 day LIBOR rate or a Replacement Index + 2.75%. The line is secured by a money market account at Huntington National Bank. The line of credit agreement requires The Public Interest Law Center to provide bi-annual calculations of projected income to support outstanding draws. Draws on the line of credit are governed by a board-approved policy, under which the Executive Director has the discretion to make draws from the line of credit up to 80% of the line. Advance written approval is required from the Chair of the Audit/Finance committee and from the Chair of the Board, or their designees, before making any draws from the line of credit that would take the balance over 80% of the line.

The duration of outstanding balances on the line, and the expected repayments are monitored by the Audit/Finance committee.

There was no balance outstanding on the line as of December 31, 2020 and 2019.

NOTE 8 - NOTES PAYABLE

Payroll Protection Program Loan

On April 18, 2020, the Organization received a loan from Huntington National Bank in the amount of \$243,700, pursuant to the Payroll Protection Program (PPP) under the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated April 18, 2020, matures on April 18, 2022, and bears an interest rate of 1%, payable monthly commencing on November 18, 2020. The note may be prepaid at any time prior to maturity with no prepayment penalty. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, and utilities. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan has subsequently been forgiven in 2021.

NOTE 9 – NET ASSETS

Restatement

For 2020, the organization conducted a search of its records, for the purpose of determining that its various funds are properly classified with respect to the existence of any donor imposed restrictions. It was found that certain documents, primarily pledge agreements, were worded in such a manner as to imply restriction of the funds received from those donors. The changes were only among net asset classifications from Without Donor Restrictions to With Donor Restrictions. There was no change to the total net assets.

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 9 – NET ASSETS – CONTINUED

Restatement – Continued

As a result of implementing this change, the net balances as of December 31, 2019 which are the opening net asset balances as of January 1, 2020 have been restated, the effects of which are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Net assets, December 31, 2019:	<u>\$2,949,915</u>	<u>\$934,959</u>	<u>\$3,884,874</u>
Reclassification from Without Donor Restriction of seven pledge donations to the capital campaign to restricted for a permanent endowment, with the income used for operating support	(350,600)	350,600	0
Cumulative effect of reclassifications	<u>(350,600)</u>	<u>350,600</u>	<u>0</u>
Net assets, December 31, 2019 (Restated)	<u>\$2,599,315</u>	<u>\$1,285,559</u>	<u>\$3,884,874</u>

In addition, where pledge receipts have been included in the board designated funds, the pledge receivable balances on those contributions are also included in board designated funds.

Net Assets Without Donor Restrictions

Net assets without donor restrictions represents funds retained by The Public Interest Law Center that were received without any donor-imposed restrictions. In addition, donor-restricted contributions whose restrictions have been met in the same reporting period are reported as without donor restrictions. Included in net assets without donor restrictions are the following board designated funds:

	<u>2020</u>	<u>2019</u>
<u>Board Designated</u>		
Long-term financial support	\$ 983,530	\$1,123,038
Social Justice programs	<u>416,000</u>	<u>0</u>
	<u>\$ 1,399,530</u>	<u>\$1,123,038</u>
Board designated assets are held as follows:		
Vanguard Managed Allocation Fund	\$1,055,059	\$ 757,712
Pledges Receivable	<u>344,471</u>	<u>365,326</u>
	<u>\$ 1,399,530</u>	<u>\$1,123,038</u>

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 – NET ASSETS – CONTINUED

Net Assets With Donor Restrictions

Net assets with donor restrictions represents resources restricted by the donor as to time of the usage of the funds, or the purpose for which the funds are used. Net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Housing	\$270,370	\$319,467
School Funding Litigation	61,330	216,134
School Funding Advocacy	109,376	42,048
Community Representations	125,716	0
Environment	87,114	0
Lost and Stolen Firearms	38,874	0
In Pursuit of Justice	30,000	0
Feasibility Study	12,998	47,844
Employment	11,716	31,239
Garden Justice Legal Initiative	15,663	17,789
Voting-Election Litigation	14,528	0
Furniture and Technology	0	11,395
Take Action Philly	2,424	5,000
Transition Services	0	4,542
Increase staffing capacity	4,000	0
Time Restricted	<u>25,000</u>	<u>71,074</u>
	<u>\$809,109</u>	<u>\$766,532</u>
 Robert Wolf Fund:		
This fund is included within the Vanguard investments. Income earned on the permanently restricted principal of the endowment can be used for operating purposes.	101,011	101,011
 Thomas L. Gilhool Disabilities Rights Center Fund:		
This fund is held at the Philadelphia Foundation. Income earned in the fund can also be used to enable the Law Center to continue to assist persons with disabilities through legal representation, research, training and education.	72,847	67,416
 Barbara Macholz-Grimaldi Racial Justice Fund:		
This fund is included within the Vanguard investments. Income earned on the permanently restricted principal is also restricted for Social Justice purposes.	70,000	0
 Capital Campaign Permanent Endowment:		
This fund is included within the Vanguard investments. Income earned on the permanently restricted principal of the endowment can be used for operating purposes.	<u>455,200</u>	<u>350,600</u>
	<u>\$1,508,167</u>	<u>\$1,285,559</u>

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 10 - ENDOWMENTS

Permanent Endowments

The Law Center has a long standing endowment fund, the Robert Wolf Fund, the income from which can be used for operating support. These funds are held in the Vanguard investments.

In 2016, the Law Center established an Endowment Fund with the Philadelphia Foundation. The funds were irrevocably transferred to the community foundation, where they are held in diversified investment portfolios. Distributions from the funds are to support the Law Center's work on behalf of people with disabilities.

The Endowment Funds held at Philadelphia Foundation are recorded as assets in these financial statements. This is in accordance with FASB ASC 958-605 (formerly FAS 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others), as the Organization has the right to receive the distributions from the income from the Endowment Funds. Also, in accordance with FASB ASC 985-605, these amounts contributed by the Organization to the community foundation funds are classified as permanently restricted net assets in the financial statements. Amounts contributed directly by other donors to the Endowment Fund, if any, are not reflected in the financial statements.

During the year ended December 31, 2019, the Law Center initiated a capital campaign whereby donors were given the opportunity to contribute to various programs of the organization, as well as to contribute to a permanent endowment to provide future operating and programmatic support for the organization. These funds are held in the Vanguard investments.

The Organization is permitted by Pennsylvania law to spend between 2% and 7% of the average balance over the past 3 years of the permanent endowment funds.

The Law Center's permanent endowments are summarized as follows:

	<u>2020</u>	<u>2019</u>
Operating Support		
Robert Wolf Fund	\$101,011	\$101,011
Capital Campaign Funds	<u>455,200</u>	<u>350,600</u>
	<u>\$556,211</u>	<u>\$451,611</u>
Disability Rights Programs		
Thomas L. Gilhool Disabilities Rights Center Fund	72,847	67,416
Social Justice Programs		
Capital Campaign - Barbara Macholz Grimaldi		
Racial Justice Fund	<u>70,000</u>	<u>0</u>
	<u>\$699,058</u>	<u>\$519,027</u>

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 10 – ENDOWMENTS - CONTINUED

Total Operating and Program Endowments

The Law Center's endowments are summarized as follows:

	<u>2020</u>	<u>2019</u>
Operating Endowments:		
In addition to the permanent endowment restricted by donors, the board has also designated and added other funds including the amounts from the Capital Campaign that were not specifically restricted by donors, to an endowment also to be used for operating support including the increase in staff capacity		
Permanent Endowment	\$ 556,211	\$ 451,611
Board Designated Funds	<u>1,399,530</u>	<u>1,123,038</u>
	<u>\$1,955,741</u>	<u>\$1,574,649</u>
Program Endowments:		
Disabilities Rights Programs		
Thomas L. Golhool Disabilities Rights Center	72,847	67,416
Social Justice Programs:		
Capital Campaign – Barbara Macholz Grimaldi		
Racial Justice	<u>70,000</u>	<u>0</u>
	<u>\$2,098,588</u>	<u>\$1,642,065</u>

Endowment assets and investments are held as follows:

	<u>Investments</u>	<u>Pledges Receivable</u>	<u>Total</u>
<u>2020</u>			
Permanently restricted operating endowment			
Robert Wolf Fund	\$101,011	\$0	\$101,011
Capital Campaign Funds	213,600	241,600	455,200
Disability Rights Programs			
Thomas L. Gilhool Disabilities Rights Center Fund	72,847	0	72,847
Social Justice Programs			
Capital Campaign – Barbara Macholz Grimaldi			
Racial Justice Fund	50,000	20,000	70,000
Board designated endowment - CC	<u>1,055,059</u>	<u>344,471</u>	<u>1,399,530</u>
Total Endowment Assets	<u>1,492,517</u>	<u>606,071</u>	<u>2,098,588</u>
Operating and other funds	<u>1,156,574</u>		
Total investment	<u>2,649,091</u>		

THE PUBLIC INTEREST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 – ENDOWMENTS - CONTINUED

Total Operating and Program Endowments – Continued

	<u>Investments</u>	<u>Pledges Receivable</u>	<u>Total</u>
<u>2019</u>			
Permanently restricted operating endowment			
Robert Wolf Fund	\$101,011	\$0	\$101,011
Capital Campaign Funds	111,600	239,000	350,600
Disability Rights Programs			
Thomas L. Gilhool Disabilities Rights Center Fund	67,416	0	67,416
Board designated endowment - CC	<u>757,712</u>	<u>365,326</u>	<u>1,123,038</u>
Total Endowment Assets	<u>\$1,037,739</u>	<u>\$604,326</u>	<u>\$1,642,065</u>
Operating and other funds	<u>995,774</u>		
Total investment	<u>\$2,033,513</u>		

NOTE 11 - COMMITMENTS FOR LEASED FACILITIES AND EQUIPMENT

The Organization entered into a lease for new office space effective November 1, 2019 for a term extending through January 31, 2026. The lease currently calls for minimum monthly payments of \$12,221 during the year ended October 31, 2021, with annual increases of 2.5% through the end of the lease, plus certain overhead expenses.

Deferred rent has been recognized to allocate the benefit of rent abatement throughout the term of the lease.

The total rent expense was \$156,142 including deferred rent of \$33,530, for the year ended December 31, 2020, and \$122,391 including deferred rent of \$24,517, for the year ended December 31, 2019.

The future minimum rental payments for office space, not including overhead expenses passed through, and equipment for the next five years are as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Office Space</u>	<u>Office Equipment</u>
2021	147,269	17,886
2022	150,950	15,645
2023	154,724	15,645
2024	158,592	9,168
2025	162,557	0
and thereafter	<u>13,827</u>	<u>0</u>
	<u>\$787,919</u>	<u>\$ 58,344</u>

THE PUBLIC INTEREST LAW CENTER

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

NOTE 12 - CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains its bank accounts in financial institutions with insurance provided by the FDIC up to \$250,000. Uninsured balances were approximately \$854,000 as of December 31, 2020. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on uninsured cash.

NOTE 13 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Program and support services were as follows for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program expenses - Law Center – In-Kind	\$2,652,777	\$ 1,035,595
Program expenses - Law Center – Other	<u>1,497,497</u>	<u>1,344,994</u>
	\$4,150,274	\$2,380,589
Management and general	294,569	209,223
Fundraising	<u>190,431</u>	<u>229,567</u>
	<u>\$4,635,274</u>	<u>\$2,819,379</u>

Of the \$2,654,002 reported as in-kind services in the 2020 statement of activities, \$2,652,777 is recorded above as in-kind program services, and the balance of \$1,225 is included within the \$294,569 of management and general expenses.

The \$1,035,595 reported as in-kind services in the 2019 statement of activities is recorded above as in-kind program services.

NOTE 14 – RETIREMENT PLAN

401(k) Plan

The Organization sponsors the Public Interest Law Center of Philadelphia 401(k) Plan. Under the Plan, qualified employees may elect to defer a portion of their compensation, up to Internal Revenue Service limits, and the Organization may match a certain portion of the employee contributions.

The Organization has elected to match 50% of employee contributions up to 6% of an employee's compensation, which resulted in matching contributions of approximately \$27,800 and \$17,770 for 2020 and 2019, respectively.

Participants should refer to Plan documents for specific details of the Plan.