

EISNERAMPER

LEGAL MOMENTUM

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

EISNERAMPER
LLP



INDEPENDENT AUDITORS' REPORT

Board of Directors
Legal Momentum
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Momentum (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 Legal Momentum as of June 30, 2019 and 2018, 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.



EISNERAMPER LLP
New York, New York
December 10, 2019



LEGAL MOMENTUM

Statements of Financial Position

| | June 30, | |
|--------------------------------------------|---------------------|-----------------------------|
| | <u>2019</u> | <u>2018</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 727,148 | \$ 1,026,765 |
| Grants and contributions receivable | 482,766 | 279,708 |
| Investments | 968,473 | 932,309 |
| Prepaid expenses and other assets | 71,456 | 19,783 |
| Property and equipment, net | <u>22,909</u> | <u>20,457</u> |
| | <u>\$ 2,272,752</u> | <u>\$ 2,279,022</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and other liabilities | \$ 131,626 | \$ 153,591 |
| Deferred rent obligation | <u>23,692</u> | <u> </u> |
| Total liabilities | <u>155,318</u> | <u>153,591</u> |
| Commitments and contingencies (see Note L) | | |
| Net Assets: | | |
| Without donor restrictions: | | |
| Operating assets | <u>1,612,614</u> | <u>1,645,723</u> |
| With donor restrictions: | | |
| Purpose restrictions | 304,820 | 94,515 |
| Restricted for future periods | | 185,193 |
| Perpetual in nature | <u>200,000</u> | <u>200,000</u> |
| Total net assets with donor restrictions | <u>504,820</u> | <u>479,708</u> |
| Total net assets | <u>2,117,434</u> | <u>2,125,431</u> |
| | <u>\$ 2,272,752</u> | <u>\$ 2,279,022</u> |

See notes to financial statements.

LEGAL MOMENTUM

Statements of Activities

| | Year Ended June 30, | | | | | |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | 2019 | | | 2018 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenue: | | | | | | |
| Contributions: | | | | | | |
| Individual | \$ 453,478 | \$ 3,250 | \$ 456,728 | \$ 335,954 | \$ 225,932 | \$ 561,886 |
| Corporations and foundations | 13,500 | 314,820 | 328,320 | 8,000 | 5,000 | 13,000 |
| Bequests | | | | 8,578 | | 8,578 |
| Government grants | 199,400 | | 199,400 | | 95,269 | 95,269 |
| Special events (net of direct benefit to donors of \$147,995 and \$153,367 for fiscal-years 2019 and 2018, respectively) | 776,609 | | 776,609 | 993,146 | | 993,146 |
| Net investment gains | 28,819 | 7,759 | 36,578 | 30,008 | 8,642 | 38,650 |
| Program income | 27,083 | | 27,083 | 2,552 | | 2,552 |
| Donated goods and services | 1,110,469 | | 1,110,469 | 1,602,704 | | 1,602,704 |
| | | | | | | |
| Total public support and revenue before net assets released from restriction | 2,609,358 | 325,829 | 2,935,187 | 2,980,942 | 334,843 | 3,315,785 |
| Net assets released from restriction | 300,717 | (300,717) | 0 | 851,111 | (851,111) | 0 |
| | | | | | | |
| Total public support and revenue | 2,910,075 | 25,112 | 2,935,187 | 3,832,053 | (516,268) | 3,315,785 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| National judicial educational program | 258,865 | | 258,865 | 599,686 | | 599,686 |
| Legal programs | 2,142,695 | | 2,142,695 | 2,318,632 | | 2,318,632 |
| | | | | | | |
| Total program services | 2,401,560 | | 2,401,560 | 2,918,318 | | 2,918,318 |
| Supporting services: | | | | | | |
| Management and general | 276,588 | | 276,588 | 193,658 | | 193,658 |
| Fund-raising | 250,444 | | 250,444 | 393,779 | | 393,779 |
| | | | | | | |
| Total supporting services | 527,032 | | 527,032 | 587,437 | | 587,437 |
| | | | | | | |
| Total expenses | 2,928,592 | | 2,928,592 | 3,505,755 | | 3,505,755 |
| Change in net assets before loss on disposal | (18,517) | 25,112 | 6,595 | 326,298 | (516,268) | (189,970) |
| Loss on disposal of property and equipment | (14,592) | | (14,592) | | | |
| | | | | | | |
| Change in net assets | (33,109) | 25,112 | (7,997) | 326,298 | (516,268) | (189,970) |
| Net assets, beginning of year | 1,645,723 | 479,708 | 2,125,431 | 1,319,425 | 995,976 | 2,315,401 |
| | | | | | | |
| Net assets, end of year | \$ 1,612,614 | \$ 504,820 | \$ 2,117,434 | \$ 1,645,723 | \$ 479,708 | \$ 2,125,431 |

See notes to financial statements.

LEGAL MOMENTUM

Statement of Functional Expenses Year Ended June 30, 2019

(with summarized financial information for June 30, 2018)

| | Program Services | | | Supporting Services | | | Total | |
|----------------------------------------------|------------------------------------------------|---------------------|---------------------|------------------------------|-------------------|-------------------|---------------------|---------------------|
| | National Judicial Educational Program | Legal Programs | Total | Management and General | Fund-raising | Total | 2019 | 2018 |
| Expenses: | | | | | | | | |
| Personnel: | | | | | | | | |
| Salaries | \$ 156,027 | \$ 600,067 | \$ 756,094 | \$ 89,844 | \$ 111,932 | \$ 201,776 | \$ 957,870 | \$ 912,696 |
| Payroll taxes | 11,432 | 53,459 | 64,891 | 12,354 | 8,082 | 20,436 | 85,327 | 61,812 |
| Employee benefits | <u>44,332</u> | <u>130,998</u> | <u>175,330</u> | <u>19,095</u> | <u>23,062</u> | <u>42,157</u> | <u>217,487</u> | <u>262,292</u> |
| | <u>211,791</u> | <u>784,524</u> | <u>996,315</u> | <u>121,293</u> | <u>143,076</u> | <u>264,369</u> | <u>1,260,684</u> | <u>1,236,800</u> |
| Legal services (in-kind) | | 1,084,884 | 1,084,884 | 25,585 | | 25,585 | 1,110,469 | 1,602,704 |
| Occupancy | 19,530 | 74,518 | 94,048 | 11,391 | 14,791 | 26,182 | 120,230 | 120,150 |
| Conferences, meetings and travel | 2,820 | 9,570 | 12,390 | 3,702 | 5,725 | 9,427 | 21,817 | 33,543 |
| Insurance | 2,587 | 9,758 | 12,345 | 1,471 | 1,893 | 3,364 | 15,709 | 16,594 |
| Consultants and subcontractors | 350 | 88,769 | 89,119 | 2,350 | 37,445 | 39,795 | 128,914 | 213,389 |
| Accountants and professional fees | | 744 | 744 | 93,705 | | 93,705 | 94,449 | 94,991 |
| Publications, subscriptions, and memberships | 1,824 | 3,799 | 5,623 | 2,432 | 13,518 | 15,950 | 21,573 | 15,493 |
| Office supplies and equipment | 14,010 | 60,299 | 74,309 | 8,078 | 19,775 | 27,853 | 102,162 | 146,826 |
| Telephone and mail | 1,349 | 5,114 | 6,463 | 1,166 | 2,179 | 3,345 | 9,808 | 10,198 |
| Catering expenses | | | | | 147,995 | 147,995 | 147,995 | 153,367 |
| Bank charges and interest | | | | 257 | 8,118 | 8,375 | 8,375 | 7,222 |
| Miscellaneous | | | | 2,000 | | 2,000 | 2,000 | |
| Depreciation | 951 | 3,171 | 4,122 | 486 | 680 | 1,166 | 5,288 | 7,845 |
| Moving expenses | <u>3,653</u> | <u>17,545</u> | <u>21,198</u> | <u>2,672</u> | <u>3,244</u> | <u>5,916</u> | <u>27,114</u> | |
| Total expenses | <u>47,074</u> | <u>1,358,171</u> | <u>1,405,245</u> | <u>155,295</u> | <u>255,363</u> | <u>410,657</u> | <u>1,815,902</u> | <u>2,422,322</u> |
| Less: direct benefit to donors | | | | | <u>(147,995)</u> | <u>(147,995)</u> | <u>(147,995)</u> | <u>(153,367)</u> |
| Total expenses per statements of activities | <u>\$ 258,865</u> | <u>\$ 2,142,695</u> | <u>\$ 2,401,560</u> | <u>\$ 276,588</u> | <u>\$ 250,444</u> | <u>\$ 527,032</u> | <u>\$ 2,928,592</u> | <u>\$ 3,505,755</u> |

See notes to financial statements.

LEGAL MOMENTUM

Statement of Functional Expenses Year Ended June 30, 2018

| | Program Services | | | Supporting Services | | | Total Expense |
|----------------------------------------------|---------------------------------------|---------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | National Judicial Educational Program | Legal Programs | Total | Management and General | Fund-raising | Total | |
| Expenses: | | | | | | | |
| Personnel: | | | | | | | |
| Salaries | \$ 328,890 | \$ 359,241 | \$ 688,131 | \$ 39,254 | \$ 185,311 | \$ 224,565 | \$ 912,696 |
| Payroll taxes | 22,580 | 23,798 | 46,378 | 2,912 | 12,522 | 15,434 | 61,812 |
| Employee benefits | <u>96,342</u> | <u>110,487</u> | <u>206,829</u> | <u>16,542</u> | <u>38,921</u> | <u>55,463</u> | <u>262,292</u> |
| | <u>447,812</u> | <u>493,526</u> | <u>941,338</u> | <u>58,708</u> | <u>236,754</u> | <u>295,462</u> | <u>1,236,800</u> |
| Legal services (in-kind) | 1,403 | 1,583,767 | 1,585,170 | 9,400 | 8,134 | 17,534 | 1,602,704 |
| Occupancy | 42,929 | 45,751 | 88,680 | 7,034 | 24,436 | 31,470 | 120,150 |
| Conferences, meetings and travel | 5,344 | 14,187 | 19,531 | 11,463 | 2,549 | 14,012 | 33,543 |
| Insurance | 5,896 | 6,372 | 12,268 | 948 | 3,378 | 4,326 | 16,594 |
| Consultants and subcontractors | 36,776 | 118,937 | 155,713 | 19,490 | 38,186 | 57,676 | 213,389 |
| Accountants and professional fees | 5,629 | 8,444 | 14,073 | 75,289 | 5,629 | 80,918 | 94,991 |
| Publications, subscriptions, and memberships | 1,416 | 1,405 | 2,821 | 3,784 | 8,888 | 12,672 | 15,493 |
| Office supplies and equipment | 46,519 | 39,831 | 86,350 | 5,708 | 54,768 | 60,476 | 146,826 |
| Telephone and mail | 3,022 | 3,279 | 6,301 | 1,462 | 2,435 | 3,897 | 10,198 |
| Catering expenses | | | | | 153,367 | 153,367 | 153,367 |
| Bank charges and interest | | | | 274 | 6,948 | 7,222 | 7,222 |
| Depreciation | <u>2,940</u> | <u>3,133</u> | <u>6,073</u> | <u>98</u> | <u>1,674</u> | <u>1,772</u> | <u>7,845</u> |
| Total expenses | <u>151,874</u> | <u>1,825,106</u> | <u>1,976,980</u> | <u>134,950</u> | <u>310,392</u> | <u>445,342</u> | <u>2,422,322</u> |
| Less: direct benefit to donors | | | | | <u>(153,367)</u> | <u>(153,367)</u> | <u>(153,367)</u> |
| Total expenses per statements of activities | <u>\$ 599,686</u> | <u>\$ 2,318,632</u> | <u>\$ 2,918,318</u> | <u>\$ 193,658</u> | <u>\$ 393,779</u> | <u>\$ 587,437</u> | <u>\$ 3,505,755</u> |

See notes to financial statements.

LEGAL MOMENTUM

Statements of Cash Flows

| | Year Ended June 30, | |
|-------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (7,997) | \$ (189,970) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 5,288 | 7,845 |
| Property in lieu of monetary compensation | | 1,400 |
| Loss on disposal of property and equipment | 14,592 | |
| Donated marketable securities | (57,242) | (63,510) |
| Proceeds from sales of marketable securities | 57,242 | 63,510 |
| Net realized and unrealized losses (gains) on investments | 15 | (1,860) |
| Changes in: | | |
| Grants and contributions receivable | (203,058) | 516,268 |
| Prepaid expenses and other assets | (51,673) | 176 |
| Accounts payable and other liabilities | (21,965) | 26,049 |
| Deferred rent | 23,692 | |
| Net cash (used in) provided by operating activities | <u>(241,106)</u> | <u>359,908</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 183,588 | 26,395 |
| Purchases of investments | (219,767) | (65,155) |
| Purchases of property and equipment | <u>(22,332)</u> | |
| Net cash used in investing activities | <u>(58,511)</u> | <u>(38,760)</u> |
| Cash flows from financing activities: | | |
| Repayments on loan received from Fund for the City of New York | <u>0</u> | <u>(26,234)</u> |
| Net cash used in financing activities | <u>0</u> | <u>(26,234)</u> |
| Change in cash and cash equivalents | (299,617) | 294,914 |
| Cash and cash equivalents, beginning of year | <u>1,026,765</u> | <u>731,851</u> |
| Cash and cash equivalents, end of year | \$ <u>727,148</u> | \$ <u>1,026,765</u> |
| Supplemental disclosure of cash flow information: | | |
| Donated services | <u>\$ 1,110,469</u> | <u>\$ 1,602,704</u> |
| Taxes paid | <u>\$ 3,322</u> | <u>\$ 0</u> |

See notes to financial statements.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

Legal Momentum (the "Organization"), formerly known as the NOW Legal Defense and Education Fund, was established in 1970 under the not-for-profit laws of the District of Columbia. The Organization pursues equality for women and girls in the workplace, the schools, the family, and the courts, using a variety of strategies, including litigation, policy analysis, administrative advocacy, and public education programs.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws. The Organization has filed an election with the Code to make expenditures to influence legislation.

[2] Basis of accounting:

The financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] 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, liabilities, public support and revenue, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, the Organization considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash and cash equivalents that are part of the Organization's investment portfolio are reported as investments in the financial statements.

[5] Investments:

The Organization's investments in mutual funds and U.S. government obligations are reported at their fair values in the statements of financial position, based on quoted market prices. Cash and cash equivalents held as part of the investment portfolio are also included in the balances reported as investments.

The Organization's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the investments' cost at the time of acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investments' cost to the fair values at the end of each fiscal year. The earnings from dividends and interest are recognized when earned.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Donated securities are recorded at their estimated fair values, as determined on the dates of gifts, with realized gains or losses recorded when the securities are sold. The Organization's general policy is to sell donated securities immediately upon receipt and accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

[6] Property and equipment:

The Organization's property and equipment are reported at their original costs at the dates of acquisition, or, if contributed, at their fair values at their dates of donation, less accumulated depreciation and amortization. Minor costs of repairs and maintenance are expensed as incurred. The Organization capitalizes, as an asset, each item of property and equipment that has a cost of \$1,000 or more and a useful life greater than one year. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective furniture and equipment, ranging from three to ten years.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2019 and 2018, respectively, and, in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Accrued vacation:

Accrued vacation is a liability that represents the Organization's obligation for the cost of unused employee vacation time that would be payable in the event of all employees' departures. At June 30, 2019 and 2018, the accrued vacation obligation was \$68,652 and \$67,121, respectively, and was reported as part of accounts payable and other liabilities in the accompanying statements of financial position. Subsequent to June 30, 2019, the Organization changed its policy of permitting between fifteen to twenty days of allowable vacation carryover based on tenure, to permit a maximum of five days carryover.

[8] Deferred rent obligation:

The difference between rent expense incurred by the Organization on an accrual basis and the lesser amounts paid in cash is attributable to scheduled rent increases and is reported as a deferred rent liability in the accompanying statements of financial position.

[9] Net assets:

(i) Net assets without donor restrictions:

Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Net assets: (continued)

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. Also included in net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of Washington D.C.'s Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in the satisfaction of the wishes of those donors. When a donor restriction expires, that is, when: (i) a stipulated time restriction ends; (ii) a purpose restriction is accomplished; or (iii) the funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions."

[10] Revenue recognition:

(i) Contributions and bequests:

Contributions to the Organization, including certain cultural government grants, are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. Special event revenues, other than contributions, applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place. Conditional contributions are recorded when the specified conditions have been met. The Organization records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

(ii) Governmental grants:

Revenue from the government contract is recognized when costs are incurred or other services are performed and requisitions for reimbursement are submitted by the Organization.

(iii) Program income:

The Organization's program income consists of sales of instructional materials, honoraria paid to Legal Momentum staff by other organizations and attorneys' fees. Income is recognized when the related services are provided.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Revenue recognition: (Continued)

(iv) Donated goods and services:

For recognition of donated services in the Organization's financial statements, such services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Donated services, and those donated goods that do not meet the Organization's capitalization requirements, are reported as both contributions and offsetting expenses in the statements of activities. Donated goods meeting the Organization's capitalization requirements are recorded within the related asset class in the statements of financial position.

During fiscal-years 2019 and 2018, the Organization received \$1,110,469 and \$1,602,704 of pro bono legal services, respectively.

A substantial number of unpaid interns (approximately 10 to 20 per year) have made significant contributions of their time to the Organization. The value of this contributed time does not meet the criteria for recognition of contributed services required under U.S. GAAP and, accordingly, is not included in the financial statements.

[11] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain direct costs have been functionalized within the program and supporting services based on the nature of this expense. Indirect costs have been allocated on the basis of time.

[12] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. These provisions could be applicable to the Organization with respect to the incurrence of unrelated business income tax on transit and qualified parking fringe benefits. Since the Organization has always recorded any potential tax liabilities and due to the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements.

UBIT expense reported in the statements of functional expenses was approximately \$2,500 and \$1,100 during fiscal-years 2019 and 2018, which represents the Organization's accrued tax on transportation and parking benefits as required by the Tax Cuts and Job Act of 2017.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Adoption of accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. ASU 2016-14 amends certain financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications; (ii) expense categorizations; and (iii) liquidity and the availability of resources. ASU 2016-14 was effective for annual report periods issued for years beginning after December 15, 2017. The Organization was required to adopt ASU 2016-14 for its year-ended June 30, 2019, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the financial statements of certain areas whereas certain other areas are to be adopted on a prospective basis. The Organization's adoption of ASU 2016-14 had no effect on the Organization's total net assets or its change in net assets for fiscal-years 2019 and 2018. The Organization changed its presentation of its net asset classes and expanded certain footnote disclosures.

[14] Subsequent events:

The Organization evaluated subsequent events through December 10, 2019, the date on which the financial statements were available to be issued.

NOTE B - RECEIVABLES

Grants and pledges of future contributions made to the Organization as of each fiscal year-end, but not yet collected as of that date, were reported as grants and contributions receivable totaling \$482,766 and \$279,708 at June 30, 2019 and 2018, respectively, and were estimated to be collected within one year. Based on prior experience, management expects to collect the receivables in full, and, accordingly, has not established an allowance for uncollectible accounts.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

| | June 30, | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | | 2018 | |
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Cash and cash equivalents | \$ 2,774 | \$ 2,774 | \$ 19,386 | \$ 19,386 |
| Mutual funds: | | | | |
| Fixed-income funds | 235,665 | 228,444 | 249,673 | 248,393 |
| Equity funds | 727,898 | 644,915 | 661,033 | 573,790 |
| U.S. government obligations | <u>2,136</u> | <u>422</u> | <u>2,217</u> | <u>442</u> |
| | <u>\$ 968,473</u> | <u>\$ 876,555</u> | <u>\$ 932,309</u> | <u>\$ 842,011</u> |

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

During each fiscal year, net investment income consisted of the following:

| | Year Ended June 30, | |
|-------------------------------|------------------------|------------------|
| | 2019 | 2018 |
| Interest and dividends | \$ 36,593 | \$ 36,790 |
| Net realized (losses) gains | (1,635) | 20,791 |
| Net unrealized gains (losses) | <u>1,620</u> | <u>(18,931)</u> |
| | <u>\$ 36,578</u> | <u>\$ 38,650</u> |

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for the same investments at the reporting date.

Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfers of financial instruments from one level to another. However, all of the Organization's investments are in Level 1 of the fair-value hierarchy, and there were no transfers among the fair-value hierarchy levels during fiscal-years 2019 and 2018.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

| | June 30, | |
|--------------------------------|------------------|------------------|
| | 2019 | 2018 |
| Furniture and fixtures | \$ 22,332 | \$ 26,530 |
| Telephone system | 2,742 | 2,742 |
| Computers | <u>10,421</u> | <u>10,421</u> |
| | 35,495 | 39,693 |
| Less: accumulated depreciation | <u>(12,586)</u> | <u>(19,236)</u> |
| | <u>\$ 22,909</u> | <u>\$ 20,457</u> |

During fiscal-year 2019, the Organization relocated its office space in New York City and disposed of property and equipment of \$26,530, with accumulated depreciation of \$11,938, resulting in a loss on the disposition of \$14,592.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE E - NOTE PAYABLE

[1] Bridge loan:

In June 2017, the Organization entered into a bridge loan agreement with the Fund for the City of New York (the "Fund") for \$26,234 to cover operating expenses pending receipt of funds from New York City Council-Young Women Initiative-Prevent Sexual Assault Program ("NYCC"). The loan was non-interest bearing and was due in 90 days from the date the Organization signed the loan agreement. During fiscal-year 2018, NYCC repaid this loan in full to the Fund, in lieu of direct payment from the Organization, fully satisfying the loan terms.

[2] Revolving line-of-credit agreement:

The Organization has an available line-of-credit with a bank in the amount of \$200,000. The line of credit is secured by the deposits with the bank and the Organization's property. Amounts drawn down under the line-of-credit are subject to interest at 2.5% plus the prime rate of 3.5%. No amounts were drawn down during fiscal-years 2019 or 2018. The line of credit automatically renews unless written notice is provided by the Organization and or the lender.

NOTE F - EMPLOYEE-BENEFIT PLANS

The Organization has a defined-contribution retirement plan, established under Section 403(b) of the Code. The plan covers all employees who meet the Organization's length-of-service requirements. Contributions by the Organization are discretionary and can be made only with the Board of Directors' approval. The Organization's contribution for fiscal-years 2019 and 2018 was approximately \$44,000 and \$47,000, respectively.

In addition, the Organization has a Section 403(b) tax-sheltered annuity retirement plan, which is available to all employees. Contributions are made by employees and are not matched by the Organization.

NOTE G - SIGNIFICANT SOURCES OF REVENUE

During fiscal-year 2019 the Organization received contributions from two donors totaling \$425,000, which represented approximately 43% of total public support. During fiscal-year 2018, the Organization received contributions from three donors totaling \$244,412, which represented approximately 36% of total public support.

NOTE H - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Organization does not face a significant risk of loss on these accounts due to failures of those institutions.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

| | <u>June 30,</u> | |
|---------------------------------------|-------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Purpose restricted: | | |
| National judicial educational program | \$ 304,820 | \$ 63,739 |
| Gender justice fellowship program | | <u>30,776</u> |
| | <u>304,820</u> | <u>94,515</u> |
| Restricted for future periods | | <u>185,193</u> |
| Perpetual in nature: | | |
| Programmatic and operating needs | <u>200,000</u> | <u>200,000</u> |
| | <u>\$ 504,820</u> | <u>\$ 479,708</u> |

During each fiscal year, net assets released from restrictions consisted of the following:

| | <u>Year Ended</u> <u>June 30,</u> | |
|-----------------------------------------------------------------------------------------|--------------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Purpose-restrictions satisfied: | | |
| National judicial educational program | \$ 76,989 | \$ 355,569 |
| Appropriation of endowment assets for expenditure – programmatic and operating needs | <u>7,759</u> | 8,642 |
| Gender justice fellowship program | <u>30,776</u> | <u>227,030</u> |
| | <u>115,524</u> | 591,241 |
| Time-restrictions satisfied | <u>185,193</u> | <u>259,870</u> |
| | <u>\$ 300,717</u> | <u>\$ 851,111</u> |

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

The Organization's endowment consists of a single donor-restricted fund, which is reported as with donor restrictions.

[2] Interpretation of relevant law:

UPMIFA is applicable to all of the Organization's institutional funds, including its donor-restricted endowment fund. The Board of Directors adheres to UPMIFA's requirements.

LEGAL MOMENTUM

**Notes to Financial Statements
June 30, 2019 and 2018**

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets:

During each fiscal year, endowment net assets changed as follows:

| | June 30, 2019 | | |
|----------------------------------------------------|-------------------------------------------------|--------------------------------|-------------------|
| | With Donor Restrictions | | |
| | Amounts Subject to Appropriation | Perpetual in Nature | Total |
| Endowment net assets, beginning of year | | \$ 200,000 | \$ 200,000 |
| Net investment income | \$ 7,759 | | 7,759 |
| Appropriation of endowment assets for expenditures | <u>(7,759)</u> | | <u>(7,759)</u> |
| Endowment net assets, end of year | <u>\$ 0</u> | <u>\$ 200,000</u> | <u>\$ 200,000</u> |
| | June 30, 2018 | | |
| | With Donor Restrictions | | |
| | Amounts Subject to Appropriation | Perpetual in Nature | Total |
| Endowment net assets, beginning of year | | \$ 200,000 | \$ 200,000 |
| Net investment income | \$ 8,642 | | 8,642 |
| Appropriation of endowment assets for expenditures | <u>(8,642)</u> | | <u>(8,642)</u> |
| Endowment net assets, end of year | <u>\$ 0</u> | <u>\$ 200,000</u> | <u>\$ 200,000</u> |

[4] Endowment objectives:

Organization’s endowment assets are invested in a manner intended to produce a stable and enduring return on those assets, while minimizing the year-to-year volatility of the amount available for spending.

[5] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor’s original contribution to be held in perpetuity. Under the terms of NYPMIFA, the Organization has no responsibility to restore such decrease in value. There were no such deficiencies in fiscal-years 2019 and 2018.

[6] Spending policy and how the investment objectives relate to the spending policy:

Funds available for distribution include return derived from dividends and interest, as well as, realized and unrealized capital gains. Commencing in 2019, the funds available for distribution during any one year will be limited to a 4.5% of the market value of the corpus that is based on a 3-year rolling average, with measures taken at the end of each of the preceding 12 quarters. The Board of Directors appropriated amounts up to current earnings, but less than the allowable draw, to limit the creation of a fund with a deficiency. During fiscal-years 2019 and 2018, the spend rate was 4.5% and 4.3%, respectively.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2019 because of donor-imposed restrictions.

The Organization's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

| | |
|-------------------------------------------------------------------------------------------------|---------------------|
| Cash, and cash equivalents available to be spent | \$ 727,148 |
| Grants and contributions receivables | 482,766 |
| Investments | <u>968,473</u> |
| Total financial assets available within one year | <u>2,178,387</u> |
| Less: amounts unavailable for general expenditures within one year, due to: | |
| Restricted by donors for: | |
| Purposes | 304,820 |
| Perpetuity | <u>200,000</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,673,567</u> |

Liquidity policy:

The Organization maintains a sufficient level of operating cash and investments, to be available as its general expenditures, liabilities, and other obligations that come due. In addition, the Organization has access to a bank line of credit, as discussed in Note E[2], which is available for short-term liquidity needs.

NOTE L - COMMITMENTS AND CONTINGENCIES

[1] Operating leases:

During fiscal-year 2017, the Organization entered into a lease agreement, in New York City that commenced on September 1, 2016 and expired on December 31, 2018. The lease required a fixed rent of \$10,000 per month through the end of the lease. During fiscal-year 2019, the Organization entered into a lease agreement in New York City that commenced on April 23, 2019, and expires on August 1, 2029. Rent expense was approximately \$118,000 and \$120,000 for fiscal-years 2019 and 2018, respectively. The Organization is also obligated under certain office equipment lease agreements. The minimum annual future rental commitments under the office and equipment lease agreements are approximately as follows:

| <u>Year Ending June 30,</u> | <u>Office</u> | <u>Equipment</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------|---------------------|
| 2020 | \$ 129,000 | \$ 15,000 | \$ 144,000 |
| 2021 | 110,000 | 7,000 | 117,000 |
| 2022 | 136,000 | 400 | 136,400 |
| 2023 | 139,000 | | 139,000 |
| 2024 | 143,000 | | 143,000 |
| 2025 and thereafter | <u>792,000</u> | | <u>792,000</u> |
| | <u>\$ 1,449,000</u> | <u>\$ 22,400</u> | <u>\$ 1,471,400</u> |

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2019 and 2018

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Government contracts:

The Organization's government-funded activities are subject to audit by the applicable granting agencies. At June 30, 2019, there were no material obligations outstanding as a result of such audits, and the Organization's management believes that unaudited projects will not result in any material obligations.

[3] Employment agreement:

During fiscal-year 2018, the Organization entered into an employment agreement with its President set to expire in June 2019. The agreement was amended during fiscal-year 2019 and shall terminate on June 30, 2020.

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