

EISNERAMPER

LEGAL MOMENTUM

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



LEGAL MOMENTUM

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Legal Momentum

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
December 11, 2020



LEGAL MOMENTUM

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 722,956	\$ 727,148
Grants and contributions receivable	278,207	482,766
Investments	934,077	968,473
Prepaid expenses and other assets	153,951	71,456
Property and equipment, net	17,396	22,909
	<u>\$ 2,106,587</u>	<u>\$ 2,272,752</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 126,700	\$ 131,626
Deferred revenue	97,467	-
Line of credit	199,896	-
Paycheck Protection Program loan payable	234,890	-
Deferred rent obligation	35,026	23,692
	<u>693,979</u>	<u>155,318</u>
Total liabilities		
Commitments, contingency and other uncertainty (see Note M)		
Net assets:		
Without donor restrictions:		
Operating assets	<u>671,845</u>	<u>1,612,614</u>
With donor restrictions:		
Purpose and time restrictions	540,763	304,820
Perpetual in nature	200,000	200,000
	<u>740,763</u>	<u>504,820</u>
Total net assets with donor restrictions		
	<u>1,412,608</u>	<u>2,117,434</u>
Total net assets		
	<u>\$ 2,106,587</u>	<u>\$ 2,272,752</u>

See notes to financial statements.

LEGAL MOMENTUM

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions:						
Individual	\$ 578,166	\$ 347,248	\$ 925,414	\$ 453,478	\$ 3,250	\$ 456,728
Corporations and foundations	35,250	8,000	43,250	13,500	314,820	328,320
Bequests	17,165	-	17,165	-	-	-
Governmental grants	-	316,789	316,789	-	199,400	199,400
Special events (net of direct benefits to donors of \$147,995 for fiscal-years 2019)	-	-	-	776,609	-	776,609
Net investment (losses) gains	(39,887)	5,647	(34,240)	28,819	7,759	36,578
Program income	50,156	-	50,156	27,083	-	27,083
Donated services	940,860	-	940,860	1,110,469	-	1,110,469
	1,581,710	677,684	2,259,394	2,409,958	525,229	2,935,187
Total public support and revenue before net assets released from restriction	1,581,710	677,684	2,259,394	2,409,958	525,229	2,935,187
Net assets released from restriction	441,741	(441,741)	-	500,117	(500,117)	-
	2,023,451	235,943	2,259,394	2,910,075	25,112	2,935,187
Total public support and revenue	2,023,451	235,943	2,259,394	2,910,075	25,112	2,935,187
Expenses:						
Program services:						
National Judicial Educational Program	253,644	-	253,644	258,865	-	258,865
Legal programs	2,257,090	-	2,257,090	2,142,695	-	2,142,695
	2,510,734	-	2,510,734	2,401,560	-	2,401,560
Total program services	2,510,734	-	2,510,734	2,401,560	-	2,401,560
Supporting services:						
Management and general	270,862	-	270,862	276,588	-	276,588
Fund-raising	182,624	-	182,624	250,444	-	250,444
	453,486	-	453,486	527,032	-	527,032
Total supporting services	453,486	-	453,486	527,032	-	527,032
Total expenses	2,964,220	-	2,964,220	2,928,592	-	2,928,592
Change in net assets before loss on disposal	(940,769)	235,943	(704,826)	(18,517)	25,112	6,595
Loss on disposal of property and equipment	-	-	-	(14,592)	-	(14,592)
	(940,769)	235,943	(704,826)	(33,109)	25,112	(7,997)
Change in net assets	(940,769)	235,943	(704,826)	(33,109)	25,112	(7,997)
Net assets, beginning of year	1,612,614	504,820	2,117,434	1,645,723	479,708	2,125,431
	\$ 671,845	\$ 740,763	\$ 1,412,608	\$ 1,612,614	\$ 504,820	\$ 2,117,434
Net assets, end of year	\$ 671,845	\$ 740,763	\$ 1,412,608	\$ 1,612,614	\$ 504,820	\$ 2,117,434

See notes to financial statements.

LEGAL MOMENTUM

Statement of Functional Expenses Year Ended June 30, 2020

(with summarized financial information for June 30, 2019)

	Program Services			Supporting Services			Total	
	National Judicial Educational Program	Legal Programs	Total	Management and General	Fund-raising	Total	2020	2019
Expenses:								
Personnel:								
Salaries	\$ 146,713	\$ 775,766	\$ 922,479	\$ 115,061	\$ 93,660	\$ 208,721	\$ 1,131,200	\$ 957,870
Payroll taxes	10,058	54,264	64,322	7,975	6,467	14,442	78,764	85,327
Employee benefits	45,259	183,394	228,653	20,070	9,887	29,957	258,610	217,487
	<u>202,030</u>	<u>1,013,424</u>	<u>1,215,454</u>	<u>143,106</u>	<u>110,014</u>	<u>253,120</u>	<u>1,468,574</u>	<u>1,260,684</u>
Legal services (in-kind)	-	940,860	940,860	-	-	-	940,860	1,110,469
Occupancy	20,639	101,223	121,862	15,295	14,454	29,749	151,611	120,230
Conferences, meetings and travel	8,352	11,812	20,164	3,543	617	4,160	24,324	21,817
Insurance	2,069	10,220	12,289	1,543	1,442	2,985	15,274	15,709
Consultants and subcontractors	3,960	82,240	86,200	1,538	2,475	4,013	90,213	128,914
Accountants and professional fees	-	596	596	91,730	-	91,730	92,326	94,449
Publications, subscriptions, and memberships	354	13,738	14,092	1,421	23,088	24,509	38,601	21,573
Office supplies and equipment	12,801	65,814	78,615	4,772	15,423	20,195	98,810	102,162
Telephone and mail	1,128	5,944	7,072	2,531	4,623	7,154	14,226	9,808
Catering expenses	-	-	-	-	-	-	-	147,995
Bank charges and interest	37	181	218	3,691	8,741	12,432	12,650	8,375
Miscellaneous	-	-	-	-	-	-	-	2,000
Depreciation	756	3,628	4,384	546	583	1,129	5,513	5,288
Moving expenses	1,518	7,410	8,928	1,146	1,164	2,310	11,238	27,114
	<u>51,614</u>	<u>1,243,666</u>	<u>1,295,280</u>	<u>127,756</u>	<u>72,610</u>	<u>200,366</u>	<u>1,495,646</u>	<u>1,815,903</u>
Total expenses								
Less: direct benefits to donors	-	-	-	-	-	-	-	(147,995)
Total expenses per statements of activities	<u>\$ 253,644</u>	<u>\$ 2,257,090</u>	<u>\$ 2,510,734</u>	<u>\$ 270,862</u>	<u>\$ 182,624</u>	<u>\$ 453,486</u>	<u>\$ 2,964,220</u>	<u>\$ 2,928,592</u>

See notes to financial statements.

LEGAL MOMENTUM

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services			Supporting Services			Total Expenses
	National Judicial Educational Program	Legal Programs	Total	Management and General	Fund-raising	Total	
Expenses:							
Personnel:							
Salaries	\$ 156,027	\$ 600,067	\$ 756,094	\$ 89,844	\$ 111,932	\$ 201,776	\$ 957,870
Payroll taxes	11,432	53,459	64,891	12,354	8,082	20,436	85,327
Employee benefits	44,332	130,998	175,330	19,095	23,062	42,157	217,487
	<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>
Legal services (in-kind)	-	1,084,884	1,084,884	25,585	-	25,585	1,110,469
Occupancy	19,530	74,518	94,048	11,391	14,791	26,182	120,230
Conferences, meetings and travel	2,820	9,570	12,390	3,702	5,725	9,427	21,817
Insurance	2,587	9,758	12,345	1,471	1,893	3,364	15,709
Consultants and subcontractors	350	88,769	89,119	2,350	37,445	39,795	128,914
Accountants and professional fees	-	744	744	93,705	-	93,705	94,449
Publications, subscriptions, and memberships	1,824	3,799	5,623	2,432	13,518	15,950	21,573
Office supplies and equipment	14,010	60,299	74,309	8,078	19,775	27,853	102,162
Telephone and mail	1,349	5,114	6,463	1,166	2,179	3,345	9,808
Catering expenses	-	-	-	-	147,995	147,995	147,995
Bank charges and interest	-	-	-	257	8,118	8,375	8,375
Miscellaneous	-	-	-	2,000	-	2,000	2,000
Depreciation	951	3,171	4,122	486	680	1,166	5,288
Moving expenses	3,653	17,545	21,198	2,672	3,244	5,916	27,114
	<u>47,074</u>	<u>1,358,171</u>	<u>1,405,245</u>	<u>155,295</u>	<u>255,363</u>	<u>410,658</u>	<u>1,815,903</u>
Total expenses							
Less: direct benefits to donors	-	-	-	-	(147,995)	(147,995)	(147,995)
	<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>

See notes to financial statements.

LEGAL MOMENTUM

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (704,826)	\$ (7,997)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,513	5,288
Loss on disposal of property and equipment	-	14,592
Donated marketable securities	(62,361)	(57,242)
Proceeds from sales of donated marketable securities	62,361	57,242
Net realized and unrealized losses on investments	68,279	15
Changes in:		
Grants and contributions receivable	204,559	(203,058)
Prepaid expenses and other assets	(82,495)	(51,673)
Accounts payable and other liabilities	(4,926)	(21,965)
Deferred revenue	97,467	-
Deferred rent obligation	11,334	23,692
Net cash used in operating activities	<u>(405,095)</u>	<u>(241,106)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	687,878	183,588
Purchases of investments	(721,761)	(219,767)
Purchases of property and equipment	-	(22,332)
Net cash used in investing activities	<u>(33,883)</u>	<u>(58,511)</u>
Cash flows from financing activities:		
Proceeds from line of credit	199,896	-
Proceeds from Paycheck Protection Program loan	234,890	-
Net cash provided by financing activities	<u>434,786</u>	<u>-</u>
Decrease in cash and cash equivalents	(4,192)	(299,617)
Cash and cash equivalents, beginning of year	<u>727,148</u>	<u>1,026,765</u>
Cash and cash equivalents, end of year	\$ <u>722,956</u>	\$ <u>727,148</u>
Supplemental disclosure of cash flow information:		
Donated services	<u>\$ 940,860</u>	<u>\$ 1,110,469</u>
Taxes paid	<u>\$ -</u>	<u>\$ 3,322</u>
Interests paid	<u>\$ 2,146</u>	<u>\$ -</u>

See notes to financial statements.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

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. Investment fees are embedded in mutual fund transactions.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

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 the gifts. 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 cost at the dates of acquisition, or, if contributed, at fair value at their dates of donation, less accumulated depreciation. 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, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is 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, 2020 and 2019, 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, 2020 and 2019, the accrued vacation obligation was \$63,323 and \$68,652, respectively, and was reported as part of accounts payable and other liabilities in the accompanying statements of financial position. Effective on July 1, 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 on a calendar year basis.

[8] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, the Organization applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Organization has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. The Organization is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA (see Note F).

[9] 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 obligation in the accompanying statements of financial position.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

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

[10] 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.

(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 a specific period 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."

[11] Revenue recognition:

(i) *Contributions, bequest, and governmental grants:*

Contributions to the Organization, including certain 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. Conditional contributions, such as those typical of the Organization's governmental grants, are recorded when the specified conditions, such as incurring costs or the provision of services by the Organization, have been met. As of June 30, 2020, a balance of \$4,539 remained conditional. 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) *Special events:*

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 benefits 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. The contribution portion is considered restricted by donors for time until the event takes place.

(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.

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Notes to Financial Statements June 30, 2020 and 2019

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

[11] Revenue recognition: (continued)

(iv) Donated services:

For recognition within the Organization's financial statements, donated services must: (i) create or enhance non-financial assets; and (ii) typically need to be acquired if not provided by donation. Additionally, such services must: (i) require a specialized skill; and (ii) be provided by individuals possessing these skills. Donated services are recorded as support at their estimated fair values at the dates of donation and are reported as support without donor restrictions. Donated services are reported as both contributions and offsetting expenses in the statements of activities.

During fiscal-years 2020 and 2019, the Organization received \$940,860 and \$1,110,469 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.

[12] 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. The statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and effort.

[13] Income taxes:

The Organization is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. 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.

The provision of the tax code requiring the Organization to remit a tax attributable to transportation fringe benefits was repealed retroactively to December 31, 2017, therefore, eliminating the Organization's obligation to pay this tax.

[14] Adoption of accounting pronouncements:

(i) Clarifying the scope and the accounting guidance for contributions received and contributions made:

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 985). This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. The resource recipient portion of the ASU is effective for fiscal-years beginning after December 15, 2018 and the resource provider portion of the ASU is effective for fiscal-years beginning after December 15, 2019. ASU 2018-08 should be applied on a modified prospective basis. The Organization adopted the resource recipient portion of the standard and early-adopted the resource provider portion of the standard for the fiscal-year ended June 30, 2020, and this accounting guidance did not have a material effect on the Organization's financial statements.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

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

[14] Adoption of accounting pronouncements: (continued)

(ii) *Disclosure requirements for fair-value measurements:*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair-value measurement disclosures presented in the Organization's financial statements. The Organization adopted this pronouncement as of June 30, 2020, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements for all periods presented. Analysis of this standard resulted in no significant changes in the Organization's disclosure requirements for fair value measurements, and therefore, no changes to the previously issued audited financial statements was required on a retrospective basis.

[15] Upcoming accounting pronouncements:

(i) *Revenue from contracts with customers:*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-19 is not expected to have a material effect on the Organization's financial statements but will require enhanced disclosures. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal-years beginning after December 15, 2019; accordingly, the Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

(ii) *Leases:*

In February 2016, the FASB issued its lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal-years beginning after December 15, 2021. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

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

[15] Upcoming accounting pronouncements:

(iii) Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization is in the process of assessing the impact of this ASU on the financial statements.

[16] Subsequent events:

The Organization evaluated subsequent events through December 11, 2020, 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 \$278,207 and \$482,766 at June 30, 2020 and 2019, 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,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 3,481	\$ 3,481	\$ 2,774	\$ 2,774
Mutual funds:				
Fixed-income funds	537,343	535,918	235,665	228,444
Equity funds	391,008	362,060	727,898	644,915
U.S. government obligations	2,245	403	2,136	422
	<u>\$ 934,077</u>	<u>\$ 901,862</u>	<u>\$ 968,473</u>	<u>\$ 876,555</u>

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

NOTE C - INVESTMENTS (CONTINUED)

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

	Year Ended June 30,	
	2020	2019
Interest and dividends	\$ 34,039	\$ 36,593
Net realized losses	(8,576)	(1,635)
Net unrealized (losses) gains	(59,703)	1,620
	<u>\$ (34,240)</u>	<u>\$ 36,578</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.

All of the Organization's investments are in Level 1 of the fair-value hierarchy as of June 30, 2020 and 2019, respectively.

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	2020	2019
Furniture and fixtures	\$ 22,332	\$ 22,332
Telephone system	2,742	2,742
Computers	10,421	10,421
	<u>35,495</u>	<u>35,495</u>
Less: accumulated depreciation	<u>(18,099)</u>	<u>(12,586)</u>
	<u>\$ 17,396</u>	<u>\$ 22,909</u>

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

NOTE D - PROPERTY AND EQUIPMENT (CONTINUED)

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.

NOTE E - LINE OF CREDIT:

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 3.25%. At June 30, 2020, the balance due on line of credit was \$199,896. No amounts were drawn down during fiscal-year 2019. The line of credit automatically renews unless written notice is provided by the Organization and or the lender.

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, the Organization received \$234,890 in funds from the PPP, which is reported as a Paycheck Protection Program loan payable in the statement of financial position at June 30, 2020. The loan matures on May 1, 2022 and bears interest at a rate of 1%. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments will begin no earlier than September 2021. The Organization intends on applying for full forgiveness. To the extent full forgiveness is granted, any payments made will be returned to the Organization. Until determination of forgiveness, the scheduled future principal maturities as of June 30, 2020 are as follows:

<u>Fiscal-Year Ending June 30,</u>	<u>Amount</u>
2021	\$ -
2022	234,890
	<u>\$ 234,890</u>

NOTE G - 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 2020 and 2019 was approximately \$43,000 and \$44,000, 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 H - SIGNIFICANT SOURCES OF REVENUE

During fiscal-year 2020, the Organization received two grants totaling \$317,000, which represented approximately 33% of total public support. During fiscal-year 2019, the Organization received contributions from two donors totaling \$425,000, which represented approximately 43% of total public support.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

NOTE I - 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.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2020	2019
Purpose restricted:		
National Judicial Educational Program	\$ 193,515	\$ 304,820
Time restricted	347,248	-
Perpetual in nature:		
Programmatic and operating needs	200,000	200,000
	<u>\$ 740,763</u>	<u>\$ 504,820</u>

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

	Year Ended June 30,	
	2020	2019
Purpose-restrictions satisfied:		
National Judicial Educational Program	\$ 428,094	\$ 276,389
Belizean Grove adventures	8,000	-
Appropriation of endowment assets for expenditure – programmatic and operating needs	5,647	7,759
Gender justice fellowship program	-	30,776
	<u>441,741</u>	<u>314,924</u>
Time-restrictions satisfied	-	185,193
	<u>\$ 441,741</u>	<u>\$ 500,117</u>

NOTE K - 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, 2020 and 2019

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets:

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

	<u>June 30, 2020</u>		
	<u>With Donor Restrictions</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 200,000	\$ 200,000
Net investment income	5,647	-	5,647
Appropriation of endowment assets for expenditures	<u>(5,647)</u>	<u>-</u>	<u>(5,647)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

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

	<u>June 30, 2019</u>		
	<u>With Donor Restrictions</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
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>-</u>	<u>(7,759)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

[4] Endowment objectives:

The 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 restricted contribution, or the amount required to be maintained under state law, referred to as underwater endowment. Under the terms of UPMIFA, the Organization has no responsibility to restore such decrease in value. At June 30, 2020, and 2019, there were no deficiencies of this nature.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

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

Funds available for distribution include returns derived from dividends and interest, as well as, realized capital gains and losses. 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 2020 and 2019, the spend rate was 2.6% and 3.5%, respectively.

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

At each year-end, the Organization's financial assets reduced by amounts not available within one year of the statements of financial position dates for general expenditures due to donor imposed restrictions are as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash, and cash equivalents	\$ 523,060	\$ 727,148
Grants and contributions receivables	278,207	482,766
Investments	<u>934,077</u>	<u>968,473</u>
Total financial assets available within one year	<u>1,735,344</u>	<u>2,178,387</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for:		
Purposes	(193,515)	(304,820)
Time	(347,248)	-
Perpetuity	<u>(200,000)</u>	<u>(200,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(740,763)</u>	<u>(504,820)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 994,581</u>	<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, which is available for short-term liquidity needs.

LEGAL MOMENTUM

Notes to Financial Statements June 30, 2020 and 2019

NOTE M - COMMITMENTS, CONTINGENCY AND OTHER UNCERTAINTY

[1] Operating leases:

In December 2018, 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 \$150,000 and \$118,000 for fiscal-years 2020 and 2019, 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>
2021	\$ 110,000	\$ 7,000	\$ 117,000
2022	136,000	400	136,400
2023	139,000	-	139,000
2024	143,000	-	143,000
2025	146,000	-	146,000
Thereafter	646,000	-	646,000
	<u>\$ 1,320,000</u>	<u>\$ 7,400</u>	<u>\$ 1,327,400</u>

[2] Government contracts:

The Organization's government-funded activities are subject to audit by the applicable granting agencies. At June 30, 2020, 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:

In June 2020, the Organization amended the employment agreement with its President commencing July 1, 2020 through June 30, 2021.

[4] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions toward the Organization's programs, which are highly uncertain and cannot be predicted. If contributions toward the Organization's programs are impacted for an extended period, results of operations may be materially adversely affected.