

N Y L P I



NEW YORK LAWYERS FOR THE PUBLIC INTEREST, INC.

Financial Statements

May 31, 2018 and 2017

With Independent Auditors' Report

New York Lawyers for the Public Interest, Inc.
May 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York Lawyers for the Public Interest, Inc., which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Lawyers for the Public Interest, Inc. as of May 31, 2018 and 2017, 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.

WithumSmith+Brown, PC

October 15, 2018

New York Lawyers for the Public Interest, Inc.
Statements of Financial Position
May 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 2,358,588	\$ 1,903,037
Investments other	3,259,615	3,226,818
Government contracts receivable	382,375	284,439
Contributions receivable, net	1,118,427	957,039
Attorney fee awards receivable, net of allowance of \$68,313 and \$34,624 for 2018 and 2017, respectively	145,911	154,988
Prepaid expenses	39,062	46,160
Total current assets	<u>7,303,978</u>	<u>6,572,481</u>
Property and equipment		
Software	114,008	114,008
Furniture and fixtures	4,881	4,881
Office equipment	21,867	25,779
Leasehold improvements	419,773	419,773
	<u>560,529</u>	<u>564,441</u>
Less: Accumulated depreciation	554,217	558,325
Net property and equipment	<u>6,312</u>	<u>6,116</u>
Other assets		
Restricted investments - endowments	328,000	328,000
Contributions receivable, net of current portion	1,000	1,000
Security deposits	38,509	38,509
Total other assets	<u>367,509</u>	<u>367,509</u>
Total assets	<u>\$ 7,677,799</u>	<u>\$ 6,946,106</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 367,790	\$ 176,412
Subtenant security deposits	8,000	21,650
Deferred income	40,346	40,096
Total current liabilities	<u>416,136</u>	<u>238,158</u>
Deferred rent	65,517	101,195
Total liabilities	<u>481,653</u>	<u>339,353</u>
Net assets		
Unrestricted	3,033,607	2,627,941
Unrestricted - board designated reserve	607,174	607,174
Total unrestricted	<u>3,640,781</u>	<u>3,235,115</u>
Temporarily restricted	3,227,365	3,043,638
Permanently restricted	328,000	328,000
Total net assets	<u>7,196,146</u>	<u>6,606,753</u>
Total liabilities and net assets	<u>\$ 7,677,799</u>	<u>\$ 6,946,106</u>

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

New York Lawyers for the Public Interest, Inc.
Statements of Activities
Year Ended May 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues				
Public support				
Contributions - foundations	\$ 351,002	\$ 697,883	\$ --	\$ 1,048,885
Contributions - member organizations	638,878	--	--	638,878
Contributions - other	358,155	--	--	358,155
Contributions - in-kind	179,108	--	--	179,108
Government contract income	1,161,327	--	--	1,161,327
Special events, net of direct benefit to donors of \$283,165	1,716,471	--	--	1,716,471
	<u>4,404,941</u>	<u>697,883</u>	<u>--</u>	<u>5,102,824</u>
Revenues				
Court awarded attorney fees	171,118	--	--	171,118
Rental income	110,460	--	--	110,460
Investment income	294,882	31,255	--	326,137
Miscellaneous	9,970	--	--	9,970
	<u>586,430</u>	<u>31,255</u>	<u>--</u>	<u>617,685</u>
	4,991,371	729,138	--	5,720,509
Net assets released due to satisfaction of purpose and time restrictions	<u>545,411</u>	<u>(545,411)</u>	<u>--</u>	<u>--</u>
	5,536,782	183,727	--	5,720,509
Expenses				
Program services				
Environmental Justice Program	843,430	--	--	843,430
Disability Justice Program	1,698,734	--	--	1,698,734
Pro Bono Clearinghouse	491,962	--	--	491,962
Health Justice Program	913,376	--	--	913,376
	<u>3,947,502</u>	<u>--</u>	<u>--</u>	<u>3,947,502</u>
Supporting services				
Management and general	691,358	--	--	691,358
Fundraising	403,891	--	--	403,891
Rental activity	88,365	--	--	88,365
	<u>1,183,614</u>	<u>--</u>	<u>--</u>	<u>1,183,614</u>
	<u>5,131,116</u>	<u>--</u>	<u>--</u>	<u>5,131,116</u>
Changes in net assets	405,666	183,727	--	589,393
Net assets, beginning of year	<u>3,235,115</u>	<u>3,043,638</u>	<u>328,000</u>	<u>6,606,753</u>
Net assets, end of year	<u>\$ 3,640,781</u>	<u>\$ 3,227,365</u>	<u>\$ 328,000</u>	<u>\$ 7,196,146</u>

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

New York Lawyers for the Public Interest, Inc.
Statements of Activities
Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues				
Public support				
Contributions - foundations	\$ 351,875	\$ 509,177	\$ --	\$ 861,052
Contributions - member organizations	633,500	--	--	633,500
Contributions - other	347,057	--	--	347,057
Contributions - in-kind	94,594	--	--	94,594
Government contract income	915,710	--	--	915,710
Special events, net direct benefit to donors of \$261,870	<u>1,583,231</u>	<u>--</u>	<u>--</u>	<u>1,583,231</u>
	3,925,967	509,177	--	4,435,144
Revenues				
Court awarded attorney fees	405,674	29,119	--	434,793
Rental income	141,575	--	--	141,575
Investment income	339,031	34,036	--	373,067
Miscellaneous	<u>15,089</u>	<u>--</u>	<u>--</u>	<u>15,089</u>
	<u>901,369</u>	<u>63,155</u>	<u>--</u>	<u>964,524</u>
	4,827,336	572,332	--	5,399,668
Net assets released due to satisfaction of purpose and time restrictions	<u>482,997</u>	<u>(482,997)</u>	<u>--</u>	<u>--</u>
	5,310,333	89,335	--	5,399,668
Expenses				
Program services				
Environmental Justice Program	944,728	--	--	944,728
Disability Justice Program	1,511,475	--	--	1,511,475
Pro Bono Clearinghouse	484,828	--	--	484,828
Health Justice Program	<u>780,543</u>	<u>--</u>	<u>--</u>	<u>780,543</u>
	3,721,574	--	--	3,721,574
Supporting services				
Management and general	659,826	--	--	659,826
Fundraising	370,756	--	--	370,756
Rental activity	<u>70,259</u>	<u>--</u>	<u>--</u>	<u>70,259</u>
	<u>1,100,841</u>	<u>--</u>	<u>--</u>	<u>1,100,841</u>
	<u>4,822,415</u>	<u>--</u>	<u>--</u>	<u>4,822,415</u>
Changes in net assets	487,918	89,335	--	577,253
Net assets, beginning of year	<u>2,747,197</u>	<u>2,954,303</u>	<u>328,000</u>	<u>6,029,500</u>
Net assets, end of year	<u>\$ 3,235,115</u>	<u>\$ 3,043,638</u>	<u>\$ 328,000</u>	<u>\$ 6,606,753</u>

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

New York Lawyers for the Public Interest, Inc.
Statements of Cash Flows
Years Ended May 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 589,393	\$ 577,253
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Bad debt expense	20,250	23,518
Depreciation	2,203	2,539
Realized and unrealized gain on investments	(262,350)	(313,138)
Allowance on attorney fee awards receivable	33,689	(19,727)
Change in assets and liabilities		
Government contracts receivable	(97,936)	94,466
Contributions receivable	(181,638)	(120,236)
Attorney fee awards receivable	(24,612)	36,547
Prepaid expenses	7,098	38,574
Accounts payable and accrued expenses	191,378	27,919
Subtenant security deposits	(13,650)	--
Deferred income	250	40,096
Deferred rent	(35,678)	(26,529)
Net cash provided by operating activities	<u>228,397</u>	<u>361,282</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,398)	(4,384)
Purchase of investments	(322,447)	--
Sales of investments	<u>552,000</u>	<u>753,303</u>
Net cash used by investing activities	<u>227,155</u>	<u>748,919</u>
Net increase in cash and cash equivalents	455,552	1,110,201
Cash and cash equivalents		
Beginning of year	<u>1,903,037</u>	<u>792,836</u>
End of year	<u>\$ 2,358,589</u>	<u>\$ 1,903,037</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ --</u>	<u>\$ --</u>
Taxes paid	<u>\$ --</u>	<u>\$ --</u>

New York Lawyers for the Public Interest, Inc.
Statements of Functional Expenses
Year Ended May 31, 2018

	Program Services					Supporting Services				Grand Total
	Environmental Justice Program	Disability Justice Program	Pro Bono Clearing-house	Health Justice Program	Total	Management and General	Fundraising	Rental Activity	Total	
Salaries	\$ 474,791	\$ 1,001,779	\$ 267,127	\$ 505,526	\$ 2,249,223	\$ 269,213	\$ 247,467	\$ --	\$ 516,680	\$ 2,765,903
Employee benefits and payroll taxes	182,352	350,374	120,328	209,654	862,708	107,530	79,937	--	187,467	1,050,175
Accounting	--	--	--	--	--	90,000	--	--	90,000	90,000
Audit	--	--	--	--	--	22,500	--	--	22,500	22,500
Consultants	31,553	59,037	15,931	34,983	141,504	31	1,403	--	1,434	142,938
Depreciation	404	780	215	451	1,850	170	183	--	353	2,203
Equipment rentals	4,448	8,010	2,320	4,183	18,961	1,852	1,799	--	3,651	22,612
Insurance	4,747	9,155	2,519	5,279	21,700	2,021	2,184	--	4,205	25,905
Library	3,987	7,023	1,874	3,855	16,739	--	--	--	--	16,739
Donated legal services	13,509	24,456	6,730	14,103	58,798	120,310	--	--	120,310	179,108
Postage and messenger	594	1,758	311	1,115	3,778	247	3,474	--	3,721	7,499
Occupancy	71,461	135,719	37,398	79,172	323,750	26,951	29,159	82,642	138,752	462,502
Repairs and maintenance	7,528	13,952	4,017	7,263	32,760	3,272	3,202	5,232	11,706	44,466
Stationery and office expense	2,754	5,055	1,513	2,679	12,001	1,172	1,214	491	2,877	14,878
Telephone	4,836	9,009	2,374	4,510	20,729	2,156	1,899	--	4,055	24,784
Temporary office staff	6,108	11,043	3,189	5,804	26,144	2,524	2,467	--	4,991	31,135
Travel, meetings, and conferences	2,480	4,036	2,179	2,822	11,517	609	640	--	1,249	12,766
Printing and duplication	2,325	3,429	4,593	2,417	12,764	765	13,760	--	14,525	27,289
Technology	14,491	26,446	7,545	13,611	62,093	5,781	6,776	--	12,557	74,650
Dues and contributions	2,066	5,769	2,328	3,209	13,372	834	318	--	1,152	14,524
Bad debt expense	--	--	--	--	--	20,250	--	--	20,250	20,250
Other	11,697	19,651	5,813	9,877	47,038	12,931	4,766	--	17,697	64,735
Professional development	1,299	2,253	3,658	2,863	10,073	239	3,243	--	3,482	13,555
	<u>\$ 843,430</u>	<u>\$ 1,698,734</u>	<u>\$ 491,962</u>	<u>\$ 913,376</u>	<u>\$ 3,947,502</u>	<u>\$ 691,358</u>	<u>\$ 403,891</u>	<u>\$ 88,365</u>	<u>\$ 1,183,614</u>	<u>\$ 5,131,116</u>

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

New York Lawyers for the Public Interest, Inc.
Statements of Functional Expenses
Year Ended May 31, 2017

	Program Services				Supporting Services					Grand Total
	Environmental Justice Program	Disability Justice Program	Pro Bono Clearing-house	Health Justice Program	Total	Management and General	Fundraising	Rental Activity	Total	
Salaries	\$ 567,188	\$ 877,540	\$ 272,969	\$ 458,921	\$ 2,176,618	\$ 256,009	\$ 234,630	\$ --	\$ 490,639	\$ 2,667,257
Employee benefits and payroll taxes	207,637	301,425	112,407	186,276	807,745	108,538	73,393	--	181,931	989,676
Accounting	--	--	--	--	--	87,996	--	--	87,996	87,996
Audit	--	--	--	--	--	22,900	--	--	22,900	22,900
Consultants	26,038	55,741	13,683	23,063	118,525	7,303	8,205	--	15,508	134,033
Depreciation	561	900	285	379	2,125	229	185	--	414	2,539
Equipment rentals	4,344	6,606	2,197	3,014	16,161	5,366	1,135	--	6,501	22,662
Insurance	5,618	8,680	2,850	3,788	20,936	2,313	1,851	--	4,164	25,100
Library	4,284	6,645	1,947	2,708	15,584	12	9	--	21	15,605
Donated legal services	--	--	--	--	--	94,594	--	--	94,594	94,594
Postage and messenger	853	3,470	441	1,083	5,847	706	2,915	--	3,621	9,468
Occupancy	72,308	161,378	39,568	57,538	330,792	31,478	19,452	65,778	116,708	447,500
Repairs and maintenance	8,136	15,946	4,327	6,088	34,497	3,485	2,398	4,211	10,094	44,591
Stationery and office expense	3,664	5,999	1,753	2,567	13,983	1,365	1,086	270	2,721	16,704
Telephone	5,860	8,573	2,757	4,324	21,514	2,186	1,434	--	3,620	25,134
Temporary office staff	1,904	2,936	961	1,293	7,094	742	557	--	1,299	8,393
Travel, meetings, and conferences	1,424	2,497	2,392	2,380	8,693	431	293	--	724	9,417
Printing and duplication	1,320	2,124	6,738	1,710	11,892	536	7,640	--	8,176	20,068
Technology	15,065	21,751	7,469	10,244	54,529	5,880	11,678	--	17,558	72,087
Dues and contributions	2,749	3,063	1,222	2,628	9,662	1,827	264	--	2,091	11,753
Bad debt expense	--	--	--	--	--	23,518	--	--	23,518	23,518
Other	12,375	23,834	7,576	9,809	53,594	1,963	1,146	--	3,109	56,703
Professional development	3,400	2,367	3,286	2,730	11,783	449	2,485	--	2,934	14,717
	<u>\$ 944,728</u>	<u>\$ 1,511,475</u>	<u>\$ 484,828</u>	<u>\$ 780,543</u>	<u>\$ 3,721,574</u>	<u>\$ 659,826</u>	<u>\$ 370,756</u>	<u>\$ 70,259</u>	<u>\$ 1,100,841</u>	<u>\$ 4,822,415</u>

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

New York Lawyers for the Public Interest, Inc.
Notes to Financial Statements
May 31, 2018 and 2017

1. ORGANIZATION AND PURPOSE

Our Mission

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

Our Approach

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended May 31, 2018 and 2017, NYLPI had accounting transactions in the unrestricted, temporarily restricted and permanently restricted net asset categories. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of NYLPI.

Revenue and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged and recorded as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

New York Lawyers for the Public Interest, Inc.
Notes to Financial Statements
May 31, 2018 and 2017

Unrestricted revenues are obtained through member law firm, foundation, corporation and general public contributions. These revenues are used to provide program services as well as to offset general and administrative expenses.

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

Donated services from volunteers, member law firms and corporate law departments are received (a) to support programs and (b) to support operations. Donated services received to support program related services (Pro Bono Clearinghouse matters and pro bono co-counseling) are not recorded as contribution revenue because they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. However, donated services from member law firms to support operations (such as pro bono governance and employment advice) are recorded as contributions in these financial statements along with a corresponding expense. The value of these services is \$179,108 and \$94,594 for the years ended May 31, 2018 and 2017, respectively.

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

Allocation of Expenses

Direct expenses are charged to program and supporting services based on specific identification. Indirect expenses have been allocated primarily based on full time equivalents and other methods.

Cash and Cash Equivalents

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

Investments

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

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

Government Contracts Receivable

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

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

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

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

Depreciation expense amounted to \$2,202 and \$2,539 in 2018 and 2017, respectively.

New York Lawyers for the Public Interest, Inc.
Notes to Financial Statements
May 31, 2018 and 2017

Fair Value of Financial Instruments

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

Fair Value Accounting

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

	2018			2017		
	Total	Observable Criteria		Total	Observable Criteria	
		(Level 1)	(Level 2)		(Level 1)	(Level 2)
Stocks						
Basic materials	41,230	41,230	\$ --	38,048	38,048	\$ --
Consumer cyclical	78,091	78,091	--	64,653	64,653	--
Financial services	165,841	165,841	--	161,534	161,534	--
Real estate	29,033	29,033	--	90,614	90,614	--
Consumer defensive	54,134	54,134	--	56,142	56,142	--
Healthcare	112,255	112,255	--	100,615	100,615	--
Utilities	33,886	33,886	--	38,464	38,464	--
Communication services	23,280	23,280	--	24,023	24,023	--
Energy	52,422	52,422	--	50,377	50,377	--
Industrials	104,894	104,894	--	106,739	106,739	--
Technology	125,607	125,607	--	104,902	104,902	--
Fixed income						
Certificates of deposit	69,918	--	69,918	--	--	--
Mutual funds						
Foreign large blend	137,858	137,858	--	272,051	272,051	--
Large growth	504,930	504,930	--	537,037	537,037	--
Mid-cap blend	434,670	434,670	--	392,850	392,850	--
Emerging markets bond	234,139	234,139	--	250,899	250,899	--
Short term bond	392,958	392,958	--	507,624	507,624	--
Multisector bond	530,941	530,941	--	489,231	489,231	--
Other	461,528	461,528	--	269,015	269,015	--
	<u>\$ 3,587,615</u>	<u>\$ 3,517,697</u>	<u>\$ 69,918</u>	<u>\$ 3,554,818</u>	<u>\$ 3,554,818</u>	<u>\$ --</u>

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

Income Taxes

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

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Valuation of Long-Lived Assets

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

Concentration of Credit Risk

Financial instruments which potentially subject NYLPI to concentrations of credit risk consist of cash and cash equivalents at various quality financial institutions. During the years ended May 31, 2018 and 2017, NYLPI had interest bearing cash and cash equivalents in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. NYLPI has not experienced any losses in such accounts and believes such balances are not exposed to any significant risk.

New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14 - Not-for-profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the “ASU”), underwater endowment funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions, as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor-imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor’s restrictions at the time the asset is placed in service.

In addition to the above disclosures, the ASU changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Organization is currently evaluating the impact the new pronouncement will have on its future financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on net assets or the change in net assets.

3. INVESTMENTS

Investments at May 31 are as follows

	2018		2017	
	Market	Cost	Market	Cost
Stocks	\$ 820,673	\$ 623,658	\$ 836,111	\$ 733,053
Fixed income	69,918	139,958	--	--
Mutual funds	<u>2,697,024</u>	<u>2,278,808</u>	<u>2,718,707</u>	<u>2,378,816</u>
	<u>\$ 3,587,615</u>	<u>\$ 3,042,424</u>	<u>\$ 3,554,818</u>	<u>\$ 3,111,869</u>

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Investment income (loss) was comprised of the following:

	2018	2017
Interest and dividend income	\$ 96,988	\$ 91,432
Net realized and unrealized gains	262,350	313,138
Investment fees	<u>(33,201)</u>	<u>(31,503)</u>
	<u>\$ 326,137</u>	<u>\$ 373,067</u>

4. CONTRIBUTIONS RECEIVABLE

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

	2018	2017
Annual Law Firm Campaign	\$ 375,500	\$ 319,458
Special Events Pledges	288,670	377,170
Board Member Pledges	153,000	121,910
Foundations	254,365	73,697
Other	35,997	31,909
Partnering for Justice Campaign Pledges	<u>126,251</u>	<u>128,251</u>
	1,233,783	1,052,395
Allowance for uncollectible pledges	<u>(114,356)</u>	<u>(94,356)</u>
Pledges receivable, net	1,119,427	958,039
Receivable less than one year	<u>1,118,427</u>	<u>957,039</u>
Receivable in one to five years	<u>\$ 1,000</u>	<u>\$ 1,000</u>

5. LINE OF CREDIT

NYLPI has an available credit line agreement with TD Bank, N.A in the amount of \$500,000, collateralized by the assets of the Organization, expired March 15, 2018. Interest charged on the outstanding line of credit is the higher of the *Wall Street Journal* Prime Rate or 3.25 percent. No amounts were outstanding as of May 31, 2018 and 2017. The extension on the line of credit is in the process of being finalized.

6. EMPLOYEE BENEFIT PLANS

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

Pension plan expense included in employee benefits and payroll taxes for the years ended May 31, 2018 and 2017 amounted to \$173,565 and \$150,437, respectively. NYLPI's policy is to fund pension plan expense currently.

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7. NET ASSETS

Components of net assets at May 31, were as follows:

	2018	2017
Unrestricted		
General operations	\$ 3,033,607	\$ 2,627,941
Board designated reserve	607,174	607,174
	<u>\$ 3,640,781</u>	<u>\$ 3,235,115</u>
Temporarily restricted		
Taconic fund	\$ 2,199,120	\$ 2,399,120
Rothenberg fund	--	7,575
Capital campaign	70,720	91,546
Litigation fund	125,155	125,155
Environmental justice	58,115	106,358
Disability justice	201,100	246,633
Healthcare	200,000	--
Communications	300,000	--
Other	58,155	67,251
Time restriction	15,000	--
	<u>\$ 3,227,365</u>	<u>\$ 3,043,638</u>
Permanently restricted		
Disadvantaged law student scholarships	\$ 78,000	\$ 78,000
Felix Fishman Award	250,000	250,000
	<u>\$ 328,000</u>	<u>\$ 328,000</u>

8. LEASE COMMITMENTS

NYLPI rents office and program space under two non-cancelable operating leases expiring in October 2019. The leases cover original space and additional space at the same location in New York City. NYLPI's rent expense pursuant to the operating leases was \$436,635 and \$418,725 for the years ended May 31, 2018 and 2017, respectively. Deferred rent of \$40,346 is comprised of the difference between the rent expense under the terms of the lease and the rent expense being recorded on a straight-line basis as required.

Subleasing of a portion of the additional space under short-term leases generated rental income of \$110,460 and \$141,575 for the years ended May 31, 2018 and 2017, respectively.

NYLPI's future minimum payments are as follows:

Years Ended May 31,	Amount
2019	\$ 426,706
2020	179,440
	<u>\$ 606,146</u>

9. ENDOWMENTS

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

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

Interpretation

The Organization follows the New York State Not-For-Profit Corporation Law (“N-PCL”) when dealing with donor-restricted contributions. The law preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Currently there are no gifts that require the accumulation of earnings as additions to the permanent endowments. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted or temporarily restricted net assets based on donor stipulations.

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

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

Investment policy

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

Spending policy

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

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Endowment net asset composition by type of fund as of May 31, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	<u>\$ 31,255</u>	<u>\$ 328,000</u>

Changes in endowment net assets as of May 31, 2018 and 2017 are as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, June 1, 2016	\$ --	\$ 328,000
Investment return	5,052	--
Unrealized	28,797	--
Amounts appropriated for expenditure	<u>(18,173)</u>	<u>--</u>
Endowment net assets, June 1, 2017	15,676	328,000
Investment return	--	--
Appreciation	42,319	--
Amounts appropriated for expenditure	<u>(26,740)</u>	<u>--</u>
Endowment net assets, May 31, 2018	<u>\$ 31,255</u>	<u>\$ 328,000</u>

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of October 15, 2018 which is the date the financial statements were available to be issued. Based upon this evaluation, NYLPI has determined that no subsequent events have occurred, which require disclosure in or adjustment to the financial statements.