

N Y L P I



NEW YORK LAWYERS FOR THE PUBLIC INTEREST, INC.
Financial Statements
May 31, 2019 and 2018
With Independent Auditors' Report

New York Lawyers for the Public Interest, Inc.
May 31, 2019 and 2018

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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, 2019 and 2018, 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, 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.

Emphasis of Matter

As discussed in Note 3, in 2019, New York Lawyers for the Public Interest, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

October 21, 2019

New York Lawyers for the Public Interest, Inc.
Statements of Financial Position
May 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,877,803	\$ 2,358,588
Investments other	2,933,777	3,259,615
Government contracts receivable	443,000	382,375
Contributions receivable, net	1,058,952	1,118,427
Attorney fee awards receivable, net of allowance of \$51,231 and \$68,313 for 2019 and 2018, respectively	184,642	145,911
Prepaid expenses	<u>74,378</u>	<u>39,062</u>
Total current assets	6,572,552	7,303,978
Property and equipment		
Software	114,008	114,008
Furniture and fixtures	4,881	4,881
Office equipment	15,021	21,867
Leasehold improvements	<u>419,773</u>	<u>419,773</u>
	553,683	560,529
Less: Accumulated depreciation	<u>549,813</u>	<u>554,217</u>
Net property and equipment	3,870	6,312
Other assets		
Restricted investments - endowments	328,000	328,000
Contributions receivable, net of current portion	--	1,000
Security deposits	<u>38,509</u>	<u>38,509</u>
Total other assets	<u>366,509</u>	<u>367,509</u>
Total assets	<u>\$ 6,942,931</u>	<u>\$ 7,677,799</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 180,379	\$ 367,790
Subtenant security deposits	10,000	8,000
Deferred income	<u>40,096</u>	<u>40,346</u>
Total current liabilities	230,475	416,136
Deferred rent	<u>20,439</u>	<u>65,517</u>
Total liabilities	250,914	481,653
Net assets		
Without donor restrictions	2,997,811	3,033,607
Without donor restrictions - board designated reserve	<u>607,174</u>	<u>607,174</u>
Total without donor restrictions	3,604,985	3,640,781
With donor restrictions	<u>3,087,032</u>	<u>3,555,365</u>
Total net assets	<u>6,692,017</u>	<u>7,196,146</u>
Total liabilities and net assets	<u>\$ 6,942,931</u>	<u>\$ 7,677,799</u>

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

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

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

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 direct benefit to donors of \$283,165	<u>1,716,471</u>	<u>--</u>	<u>1,716,471</u>
	4,404,941	697,883	5,102,824
Revenues			
Court awarded attorney fees	171,118	--	171,118
Rental income	110,460	--	110,460
Investment income	294,882	31,255	326,137
Miscellaneous	<u>9,970</u>	<u>--</u>	<u>9,970</u>
	<u>586,430</u>	<u>31,255</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>
	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	<u>913,376</u>	<u>--</u>	<u>913,376</u>
	3,947,502	--	3,947,502
Supporting services			
Management and general	691,358	--	691,358
Fundraising	403,891	--	403,891
Rental activity	<u>88,365</u>	<u>--</u>	<u>88,365</u>
	<u>1,183,614</u>	<u>--</u>	<u>1,183,614</u>
	<u>5,131,116</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>3,371,638</u>	<u>6,606,753</u>
Net assets, end of year	<u>\$ 3,640,781</u>	<u>\$ 3,555,365</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 Cash Flows
Years Ended May 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ (504,129)	\$ 589,393
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Bad debt expense	18,002	20,250
Depreciation	2,442	2,203
Realized and unrealized loss (gain) on investments	(32,519)	(262,350)
Allowance on attorney fee awards receivable	(17,082)	33,689
Change in assets and liabilities		
Government contracts receivable	(60,625)	(97,936)
Contributions receivable	42,473	(181,638)
Attorney fee awards receivable	(21,649)	(24,612)
Prepaid expenses	(35,316)	7,098
Accounts payable and accrued expenses	(187,411)	191,377
Subtenant security deposits	2,000	(13,650)
Deferred income	(250)	250
Deferred rent	<u>(45,078)</u>	<u>(35,678)</u>
Net cash (used) provided by operating activities	(839,142)	228,396
Cash flows from investing activities		
Purchase of property and equipment	--	(2,398)
Purchase of investments	(294,910)	(322,447)
Sales of investments	<u>653,267</u>	<u>552,000</u>
Net cash provided by investing activities	<u>358,357</u>	<u>227,155</u>
Net change in cash and cash equivalents	(480,785)	455,551
Cash and cash equivalents		
Beginning of year	<u>2,358,588</u>	<u>1,903,037</u>
End of year	<u>\$ 1,877,803</u>	<u>\$ 2,358,588</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ --</u>	<u>\$ --</u>
Taxes paid	<u>\$ --</u>	<u>\$ --</u>

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

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

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

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

New York Lawyers for the Public Interest, Inc.
Statement 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
Professional development	1,299	2,253	3,658	2,863	10,073	239	3,243	--	3,482	13,555
Technology	14,491	26,446	7,545	13,611	62,093	5,781	6,776	--	12,557	74,650
Other	11,697	19,651	5,813	9,877	47,038	12,931	4,766	--	17,697	64,735
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
	<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.

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, 2019 and 2018, NYLPI had accounting transactions in the net asset without donor restrictions and with donor restriction categories. The net assets without donor restrictions category represents net assets that are not subject to donor imposed restrictions, the net assets with donor restrictions category represents net assets that are subject to time or purpose donor imposed restrictions and that are subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of NYLPI.

Revenue and Support Recognition

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

New York Lawyers for the Public Interest, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

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

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

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

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

Donated services from volunteers, member law firms and corporate law departments are received (a) to support programs and (b) to support operations. Donated services received to support program related services (Pro Bono Clearinghouse matters and pro bono co-counseling) are not recorded as contribution revenue because they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. However, donated services from member law firms to support operations (such as pro bono governance and employment advice) are recorded as contributions in these financial statements along with a corresponding expense. The value of these services is \$107,058 and \$179,108 for the years ended May 31, 2019 and 2018, respectively.

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

Allocation of Expenses

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

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

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 \$2,442 and \$2,203 in 2019 and 2018, respectively.

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.

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.

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.

New York Lawyers for the Public Interest, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

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:

	2019			2018		
	Total	Observable Criteria		Total	Observable Criteria	
		(Level 1)	(Level 2)		(Level 1)	(Level 2)
Stocks						
Basic materials	\$ 22,972	\$ 22,972	\$ --	\$ 41,230	\$ 41,230	\$ --
Consumer cyclical	50,151	50,151	--	78,091	78,091	--
Financial services	138,067	138,067	--	165,841	165,841	--
Real estate	20,548	20,548	--	29,033	29,033	--
Consumer defensive	63,554	63,554	--	54,134	54,134	--
Healthcare	108,238	108,238	--	112,255	112,255	--
Utilities	36,443	36,443	--	33,886	33,886	--
Communication services	22,874	22,874	--	23,280	23,280	--
Energy	44,757	44,757	--	52,422	52,422	--
Industrials	81,156	81,156	--	104,894	104,894	--
Technology	67,491	67,491	--	125,607	125,607	--
Fixed income						
Certificates of deposit	--	--	--	69,918	--	69,918
Mutual funds						
Foreign large blend	148,243	148,243	--	137,858	137,858	--
Large growth	558,087	558,087	--	504,930	504,930	--
Mid-cap blend	414,306	414,306	--	434,670	434,670	--
Emerging markets bond	215,618	215,618	--	234,139	234,139	--
Short term bond	362,635	362,635	--	392,958	392,958	--
Multisector bond	494,554	494,554	--	530,941	530,941	--
Other	412,083	412,083	--	461,528	461,528	--
	<u>\$ 3,261,777</u>	<u>\$ 3,261,777</u>	<u>\$ --</u>	<u>\$ 3,587,615</u>	<u>\$ 3,517,697</u>	<u>\$ 69,918</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).

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, 2019 and 2018, 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.

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3. NEW ACCOUNTING PRONOUNCEMENT ADOPTED IN THE CURRENT YEAR

During 2019, NYLPI adopted ASU 2016-14 – Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassification driven by the adoption of ASU 2016-14 as of May 31, 2018 follows:

Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented			
Unrestricted	\$ 3,640,781	\$ --	\$ 3,640,781
Temporarily restricted	--	3,227,365	3,227,365
Permanently restricted	--	328,000	328,000
Net assets as previously presented	\$ 3,640,781	\$ 3,555,365	\$ 7,196,146

4. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard, including subsequent amendments, was codified as Topic 606 (“ASC 606”) and requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASC 606 is effective for annual periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019. The ASC is to be applied retrospectively or using a cumulative effect transition method. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition - Contributions

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

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Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Agency’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019.

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

5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of May 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of payables and other obligations, were as follows:

Financial assets at year end	
Cash and cash equivalents	\$ 1,877,803
Investments other	2,933,777
Government contracts receivable	443,000
Contributions receivable, net	1,058,952
Attorney fee awards receivable	<u>184,642</u>
Total financial assets	6,498,174

Less financial assets unavailable for general expenditures within one year, due to:

Board designated reserve	(607,174)
Assets restricted by donor with time and purpose restrictions:	
Taconic Fund	(1,999,120)
Litigation Fund	(124,534)
Endowment contributions with limits on the use of the original contribution	<u>(328,000)</u>
Total financial assets unavailable	(3,058,828)

Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,439,346</u>
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The financial assets listed above as available to meet general expenditure are not subject to donor or other contractual restrictions. Contributions with donor restrictions that will be met over the next twelve months are not subtracted from total financial assets making them available for general expenditures for the purpose of the liquidity calculation. NYLPI is substantially supported by annual contributions without donor restrictions.

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

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

6. INVESTMENTS

Investments at May 31 are as follows:

	2019		2018	
	Market	Cost	Market	Cost
Stocks	\$ 656,251	\$ 623,658	\$ 820,673	\$ 733,053
Fixed income	--	--	69,918	69,918
Mutual funds	2,605,526	2,209,139	2,697,024	2,378,816
	<u>\$ 3,261,777</u>	<u>\$ 2,832,797</u>	<u>\$ 3,587,615</u>	<u>\$ 3,181,787</u>

Investment income (loss) was comprised of the following:

	2019	2018
Interest and dividend income	\$ 107,882	\$ 96,988
Net realized and unrealized (losses) gains	(32,519)	262,350
Investment fees	(27,477)	(33,201)
	<u>\$ 47,886</u>	<u>\$ 326,137</u>

7. CONTRIBUTIONS RECEIVABLE

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

	2019	2018
Annual Law Firm Campaign	\$ 337,500	\$ 375,500
Special Events Pledges	261,000	288,670
Board Member Pledges	165,000	153,000
Foundations	226,049	254,365
Other	20,008	35,997
Partnering for Justice Campaign Pledges	126,251	126,251
	1,135,808	1,233,783
Allowance for uncollectible pledges	<u>(76,856)</u>	<u>(114,356)</u>
Pledges receivable, net	1,058,952	1,119,427
Receivable less than one year	<u>1,058,952</u>	<u>1,118,427</u>
Receivable in one to five years	<u>\$ --</u>	<u>\$ 1,000</u>

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8. LINE OF CREDIT

NYLPI has an available credit line agreement with TD Bank, N.A in the amount of \$500,000, collateralized by the assets of the Organization, which expires March 15, 2020. 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, 2019 and 2018.

9. 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, 2019 and 2018 amounted to \$184,893 and \$173,565, respectively. NYLPI's policy is to fund pension plan expense currently.

10. NET ASSETS

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

	2019	2018
Without donor restrictions		
General operations	\$ 2,997,811	\$ 3,033,607
Board designated reserve	<u>607,174</u>	<u>607,174</u>
	<u>\$ 3,604,985</u>	<u>\$ 3,640,781</u>
With donor restrictions		
Taconic Fund	\$ 1,999,120	\$ 2,199,120
Capital campaign	51,895	70,720
Litigation Fund	124,534	125,155
Environmental Justice	--	58,115
Disability Justice	243,500	201,100
Health Justice	163,333	200,000
Communications	150,000	300,000
Other	--	26,900
Time restriction	26,650	15,000
Endowment		
Endowed earnings not utilized	--	31,255
Disadvantaged Law Student Scholarships	78,000	78,000
Felix Fishman Award	<u>250,000</u>	<u>250,000</u>
	<u>\$ 3,087,032</u>	<u>\$ 3,555,365</u>

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11. LEASE COMMITMENTS

NYLPI rents office and program space under two non-cancelable operating leases expiring in October 2019. In August 2019 the leases were extended expiring on October 31, 2029. The leases cover original space and additional space at the same location in New York City. NYLPI's rent expense pursuant to the operating leases was \$448,108 and \$436,635 for the years ended May 31, 2019 and 2018, respectively. Deferred rent of \$20,439 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 \$60,763 and \$110,460 for the years ended May 31, 2019 and 2018, respectively.

NYLPI's future minimum payments are as follows:

Years Ended May 31,	Amount
2020	\$ 590,690
2021	715,281
2022	733,163
2023	751,492
2024	770,280
Thereafter	<u>4,516,894</u>
	<u>\$ 8,077,800</u>

12. ENDOWMENTS

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

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

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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.

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

	2019	2018
Donor restricted "true" endowment		
Historical gift value	\$ 328,000	\$ 328,000
Appreciation	--	31,255
Endowment net assets, May 31,	<u>\$ 328,000</u>	<u>\$ 359,255</u>

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Changes in endowment net assets as of May 31, 2019 and 2018 are as follows:

	2019	2018
	With Donor	With Donor
	Restrictions	Restrictions
	<u> </u>	<u> </u>
Endowment net assets, June 1,	\$ 359,255	\$ 343,676
Investment return	3,391	--
(Depreciation)/appreciation	(4,731)	42,319
Amounts appropriated for expenditure	<u>(29,915)</u>	<u>(26,740)</u>
Endowment net assets, May 31,	<u>\$ 328,000</u>	<u>\$ 359,255</u>

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of October 21, 2019 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.