

ABOLITIONIST LAW CENTER
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

ABOLITIONIST LAW CENTER
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Abolitionist Law Center
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Abolitionist Law Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abolitionist Law Center as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants
Carnegie, Pennsylvania

August 15, 2018

ABOLITIONIST LAW CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS:

Cash and cash equivalents	\$397,712
Restricted cash - escrow (Note 6)	100,000
Accounts receivable	18,281
Prepaid expenses	2,259
Property and equipment, net	626
Other assets - security deposit	<u>1,500</u>
 TOTAL ASSETS	 <u>\$520,378</u>

LIABILITIES:

Accounts payable and accrued expenses	\$118,084
Other liabilities (Note 6)	<u>100,000</u>
 TOTAL LIABILITIES	 <u>218,084</u>

NET ASSETS:

Unrestricted	132,403
Temporarily restricted	<u>169,891</u>
 TOTAL NET ASSETS	 <u>302,294</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$520,378</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Private contributions	\$ 74,429	\$ 1,675	\$ 76,104
Grants	179,000	120,460	299,460
Litigation settlement (Note 6)	225,000	100,000	325,000
Other income	1,603	-	1,603
Unrealized gain on investments	887	-	887
Net assets released from restrictions	<u>128,420</u>	<u>(128,420)</u>	<u>-</u>
Total revenue and support	<u>609,339</u>	<u>93,715</u>	<u>703,054</u>
Expenses			
Program services	425,735	-	425,735
Management and general	62,440	-	62,440
Fundraising	<u>4,969</u>	<u>-</u>	<u>4,969</u>
Total expenses	<u>493,144</u>	<u>-</u>	<u>493,144</u>
Increase (decrease) in net assets	116,195	93,715	209,910
Net assets - beginning of year	<u>16,208</u>	<u>76,176</u>	<u>92,384</u>
Net assets - end of year	<u>\$132,403</u>	<u>\$169,891</u>	<u>\$302,294</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>
Legal program expenses	\$245,595	\$244,203	\$ 1,392	\$ -
Salaries and taxes	168,740	133,930	30,856	3,954
Insurance	19,998	12,890	6,727	381
Travel expenses	16,203	13,159	2,989	55
Office supplies	16,124	10,193	5,916	15
Rent	13,600	10,794	2,487	319
Accounting	7,094	-	7,094	-
Other taxes, licenses and fees	2,135	-	2,135	-
Information technology	1,786	273	1,513	-
Bank fees	921	139	537	245
Advertising	616	25	591	-
Depreciation	203	-	203	-
Events and meetings	<u>129</u>	<u>129</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$493,144</u>	<u>\$425,735</u>	<u>\$62,440</u>	<u>\$ 4,969</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	<u>\$209,910</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	203
Decrease (Increase) in:	
Restricted cash escrow	(100,000)
Accounts receivable	(18,281)
Prepaid expenses	8,652
Other assets	(675)
(Decrease) Increase in:	
Accounts payable and accrued expenses	114,680
Other liabilities	<u>100,000</u>
Total adjustments	<u>104,579</u>
Net cash provided by operating activities	<u>314,489</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>-</u>
Net cash provided by (used in) investing activities	<u>-</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 314,489

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 83,223

CASH AND CASH EQUIVALENTS - END OF YEAR \$397,712

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest	<u>\$ -</u>
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See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

The Abolitionist Law Center (ALC) is a 501(c)(3) nonprofit organization, registered with the Pennsylvania Bureau of Charitable Organizations and various other states. The ALC exists to promote the rights of prisoners and the wrongly convicted by educating the public about injustices in the criminal legal system and about abusive conditions in the prison system; to provide pro bono legal services to prisoners in order to right injustices and errors committed in the courts, and to litigate the non-frivolous claims of prisoners alleging violations of their civil rights while in prison; to advocate for the radical reformation of the prison system, within the bounds of tax exemption under section 501(c)(3) and 501(H) of the code. The public has an interest in ensuring that its prison system is operated within the bounds of constitutional and human rights law.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the ALC is presented to assist in understanding ALC's financial statements. The financial statements and notes are representations of ALC's management who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting policies and have been consistently applied in the preparation of the financial statements.

- A. **Basis of Accounting** - The accompanying financial statements of ALC have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, and gains and losses are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: net assets subject to donor-imposed stipulations that may or will be met either by actions or passage of time.

Permanently Restricted Net Assets: net assets subject to donor-imposed stipulations that they be maintained permanently. Generally the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

- B. **Restricted and Unrestricted Revenue and Support** - All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- C. Revenue Recognition - Revenue is recognized when earned. Grant revenues are recorded as unrestricted or temporarily restricted net assets depending on the existence or nature of any donor restrictions.
- D. Promises to Give - Unconditional promises to give are recognized as contribution revenue in the period pledged. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- E. Grant Receivables - Grant receivables represent amounts committed by donors that have not been received by ALC. No provision for estimated uncollectible receivables has been made, since management considers all receivables fully collectible.
- F. Cash and Cash Equivalents - Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. In addition, ALC may occasionally have deposits at individual financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit.
- G. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires ALC's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- H. Investments - Investments are stated at their fair value based on readily determinable market quotations. Realized gains and losses are computed on the average cost method. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.
- I. Property and Equipment - Property and equipment are recorded at cost. Depreciation of property and equipment is computed by the straight-line method over the following estimated useful lives:

Equipment	5 years
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Repairs and maintenance which are not considered to extend the useful lives of the assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in other income (expenses) for the year.

ABOLITIONIST LAW CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- J. Fair Value of Financial Instruments - The FASB ASB Topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Disclosure includes reporting hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The carrying amount of cash and cash equivalents, and accounts payable and accrued expenses approximates fair value due to the short maturity of these financial instruments.

- K. Advertising Costs - Advertising costs are expensed when incurred. Advertising expense was \$616 for the year ended December 31, 2017.
- L. Date of Management's Review - Subsequent events have been evaluated through August 15, 2018, which is the date the financial statements were available to be issued.

NOTE 3 - PREPAID EXPENSES:

Prepaid expenses consist of the following at December 31, 2017:

Prepaid health insurance	\$2,095
Prepaid other	<u>164</u>
	<u>\$2,259</u>

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31, 2017:

Equipment	\$ 1,015
Accumulated depreciation	<u>389</u>
	<u>\$ 626</u>

ABOLITIONIST LAW CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 2017:

Legal costs	\$109,685
Payroll liabilities	5,063
Credit cards payable	1,704
Other	<u>1,632</u>
	<u>\$118,084</u>

NOTE 6 - OTHER LIABILITIES:

During the year ended December 31, 2017 the ALC, in conjunction with outside legal counsel, settled a case on behalf of an individual against the Pennsylvania Department of Corrections. The total monetary portion of the settlement amounted to \$325,000. In addition to paying the outside legal fees and costs, ALC is required to pay the individual \$100,000 which is included in other liabilities at December 31, 2017.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following at December 31, 2017:

Restricted cash - escrow	\$100,000
Life without parole project	25,000
Toxic prisons project	20,160
Amistad law project	10,806
Hepatitis C project	8,790
Whistleblower support project	3,443
Ending solitary confinement project	<u>1,692</u>
	<u>\$169,891</u>

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

NOTE 8 - OPERATING LEASE:

The Organization leased its office space with an unrelated third party under a two-year operating lease agreement which expired October, 2017. The lease required minimum rental payments of approximately \$940 per month plus a tax escalation clause. Effective November, 2017 the Organization entered into another two-year operating lease at a different location expiring October, 2019. The new lease requires minimum rental payments of approximately \$1,500 per month. Rent expense amounted to \$13,600 for the year ended December 31, 2017.

The following is a schedule of future minimum rental payments required under the above noncancelable operating lease:

<u>Year Ending December 31</u>	
2018	\$18,116
2019	<u>15,580</u>
	<u>\$33,696</u>

NOTE 9 - INCOME TAXES:

ALC is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code but would be subject to tax on net income not related to the exempt purpose of the Organization. The ALC does not have any material unrelated business income (UBI) and, accordingly, no provision for income taxes is recorded in the financial statements for the year ended December 31, 2017.

ALC follows the Accounting for Uncertainty in Income Taxes topic of the Codification. This topic clarifies the accounting and reporting of uncertainties in income tax positions to be taken on ALC's tax returns, applying minimum recognition and measurement thresholds. Management does not believe there are any material uncertain tax positions requiring recording or disclosure in the financial statements.

ALC is subject to income tax examinations for its fiscal years ended after December 31, 2014.

NOTE 10 - FUNCTIONAL EXPENSE ALLOCATION:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.