

ABOLITIONIST LAW CENTER
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

ABOLITIONIST LAW CENTER

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain 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, 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.



Certified Public Accountants
Carnegie, Pennsylvania

September 19, 2019

ABOLITIONIST LAW CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31	
	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$271,651	\$397,712
Restricted cash - escrow (Note 7)	99,078	100,000
Accounts receivable	1,848	18,281
Grant receivable	25,000	-
Prepaid expenses	2,594	2,259
TOTAL CURRENT ASSETS	400,171	518,252
Property and equipment, net	1,810	626
Other assets - security deposit	3,000	1,500
TOTAL ASSETS	\$404,981	\$520,378

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,307	\$118,084
Other liabilities (Note 7)	99,078	100,000
TOTAL CURRENT LIABILITIES	105,385	218,084
NET ASSETS:		
Without donor restrictions	226,097	132,403
With donor restrictions	73,499	169,891
TOTAL NET ASSETS	299,596	302,294
TOTAL LIABILITIES AND NET ASSETS	\$404,981	\$520,378

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Private contributions	\$ 76,745	\$ 19,061	\$ 95,806
Grants	110,000	171,856	281,856
Litigation settlement	120,911	46,925	167,836
Other income	1,841	-	1,841
Unrealized loss on investments	(968)	-	(968)
Net assets released from restrictions	<u>334,234</u>	<u>(334,234)</u>	<u>-</u>
Total revenue and support	<u>642,763</u>	<u>(96,392)</u>	<u>546,371</u>
Expenses			
Program services	437,934	-	437,934
Management and general	99,777	-	99,777
Fundraising	<u>11,358</u>	<u>-</u>	<u>11,358</u>
Total expenses	<u>549,069</u>	<u>-</u>	<u>549,069</u>
Increase (decrease) in net assets	93,694	(96,392)	(2,698)
Net assets - beginning of year	<u>132,403</u>	<u>169,891</u>	<u>302,294</u>
Net assets - end of year	<u>\$226,097</u>	<u>\$ 73,499</u>	<u>\$299,596</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>Without Donor Restrictions</u>	<u>With Donor Restrictions</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 7)	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, 2018

	<u>Total</u>	<u>Legal Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>
Salaries and taxes	\$244,620	\$187,078	\$ 48,382	\$ 9,160
Legal program expenses	183,397	172,944	10,453	-
Travel expenses	36,344	32,254	3,572	518
Insurance	25,179	16,833	7,522	824
Rent	21,296	17,634	2,857	805
Accounting	13,037	-	13,037	-
Office supplies	11,178	4,315	6,850	13
Events and meetings	5,259	5,038	183	38
Information technology	3,787	1,404	2,383	-
Other taxes, licenses and fees	2,494	-	2,494	-
Bank fees	1,373	330	1,043	-
Charitable contributions	500	-	500	-
Advertising	354	104	250	-
Depreciation	<u>251</u>	<u>-</u>	<u>251</u>	<u>-</u>
Total Functional Expenses	<u>\$549,069</u>	<u>\$437,934</u>	<u>\$ 99,777</u>	<u>\$ 11,358</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>Legal 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**STATEMENTS OF CASH FLOWS****INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	(\$ 2,698)	\$209,910
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	251	203
Decrease (increase) in:		
Restricted cash escrow	922	(100,000)
Grant receivables	(25,000)	-
Accounts receivable	16,433	(18,281)
Prepaid expenses	(335)	8,652
Other assets	(1,500)	(675)
Increase (decrease) in:		
Accounts payable and accrued expenses	(111,777)	114,680
Other liabilities	(922)	100,000
Total adjustments	(121,928)	104,579
Net cash provided by (used in) operating activities	(124,626)	314,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,435)	-
Net cash provided by (used in) investing activities	(1,435)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(126,061)	314,489
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>397,712</u>	<u>83,223</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$271,651</u>	<u>\$397,712</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 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:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ALC.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ALC or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

- B. **Revenue with and without Donor Restrictions** - Revenues, which consist primarily of contributions, grants, and legal rewards received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Revenues that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted revenues are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

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

- C. 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.
- D. 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.
- E. 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.
- F. 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.
- G. 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 net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment revenue is presented net of investment fees.
- H. Property and Equipment - ALC capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded on the basis of cost, or if donated, at the approximate fair value at the date of donation. 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 the statement of activities and changes in nets assets in the year of disposal.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

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

- I. 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.
- J. Advertising Costs - Advertising costs are expensed when incurred. Advertising expense was \$354 and \$616 for the years ended December 31, 2018 and 2017, respectively.
- K. 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. Such allocations are determined by management on an equitable basis, and are based on management’s estimate of usage of expenses or estimates of time and effort.
- L. Accounting Standards Update - In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, “*Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*,” which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; and methods to allocate costs among program and support functions. The changes in the standard are effective for annual financial statements issued for the fiscal years beginning after December 15, 2017. ALC has adopted this guidance and its impact is reflected within these statements.
- M. Reclassifications - Certain reclassifications have been made to the 2017 presentation to conform to the format used in 2018. Total nets assets and changes in net assets are unchanged due to these reclassifications.
- N. Date of Management’s Review - Subsequent events have been evaluated through September 19, 2019, which is the date the financial statements were available to be issued.

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2018 AND 2017**

(Continued)

NOTE 3 - GRANT RECEIVABLES:

Grant receivables consist of the following:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Grants without donor restrictions	<u>\$25,000</u>	<u>\$ -</u>

All amounts are considered collectible in less than one year.

NOTE 4 - PREPAID EXPENSES:

Prepaid expenses consist of the following at:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Prepaid health insurance	\$ 1,712	\$ 2,095
Prepaid rent	795	-
Prepaid other	<u>87</u>	<u>164</u>
	<u>\$ 2,594</u>	<u>\$ 2,259</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Equipment	\$ 2,450	\$ 1,015
Accumulated depreciation	<u>(640)</u>	<u>(389)</u>
	<u>\$ 1,810</u>	<u>\$ 626</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Payroll liabilities	\$ 3,754	\$ 5,063
Credit cards payable	2,553	1,704
Legal costs	-	109,685
Other	<u>-</u>	<u>1,632</u>
	<u>\$ 6,307</u>	<u>\$118,084</u>

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 7 - 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 \$99,000 which is included in other liabilities at December 31, 2018.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Life without parole project	\$ 44,664	\$ 25,000
Coalition to abolish death by incarceration project	15,637	-
Toxic prisons project	4,734	20,160
Amistad law project	4,732	10,806
MOVE project	2,160	-
Whistleblower support project	1,572	3,443
Restricted cash – escrow	-	100,000
Ending solitary confinement project	-	1,692
Hepatitis C project	-	8,790
	<u>\$ 73,499</u>	<u>\$169,891</u>

NOTE 9 - OPERATING LEASE:

The Organization leases its office space with an unrelated third party under a two-year operating lease agreement expiring October, 2019. The lease requires minimum rental payments of approximately \$1,500 per month. Rent expense amounted to \$18,116 and \$13,600 for the years ended December 31, 2018 and 2017, respectively.

Effective September, 2018 the Organization began leasing additional office space with an unrelated third party under an operating lease agreement expiring August, 2021. The lease requires minimum rental payments of approximately \$795 per month. Rental expense amounted to \$3,180 for the year ended December 31, 2018.

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

<u>Year Ending December 31</u>	
2019	\$25,420
2020	9,540
2021	<u>6,360</u>
	<u>\$41,320</u>

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 10 - 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, 2018.

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, 2015.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

ALC has \$227,594 of financial assets available within one year of the statement of financial position date.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$271,651
Accounts receivable	1,848
Grant receivables	25,000
Prepaid expenses	2,594
Less: restricted by donors with purpose and time restrictions	(73,499)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$227,594</u>