

ABOLITIONIST LAW CENTER
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

ABOLITIONIST LAW CENTER

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Abolitionist Law Center
Pittsburgh, Pennsylvania

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Abolitionist Law Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Abolitionist Law Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Abolitionist Law Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Abolitionist Law Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mock Bosco & Associates, P.C.

Certified Public Accountants
Carnegie, Pennsylvania

October 18, 2023

ABOLITIONIST LAW CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31	
	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$1,988,303	\$2,492,243
Investments at fair value	469,244	-
Accounts receivable	44,183	3,654
Grant receivables	329,333	279,000
Other current assets	8,269	5,494
Restricted cash - escrow	-	142,757
TOTAL CURRENT ASSETS	2,839,332	2,923,148
Property and equipment, net	15,118	17,132
Grant receivables - less current portion	317,065	3,951
Other assets - security deposit	3,962	5,300
Operating lease right-of-use assets (Note 9)	34,329	-
TOTAL ASSETS	\$3,209,806	\$2,949,531
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 14,200	\$ 3,369
Other liabilities	-	190,202
Current operating lease liabilities	26,351	-
TOTAL CURRENT LIABILITIES	40,551	193,571
LONG-TERM LIABILITIES:		
Operating lease liabilities	8,666	-
TOTAL LIABILITIES	49,217	193,571
NET ASSETS:		
Without donor restrictions	2,614,100	2,324,782
With donor restrictions	546,489	431,178
TOTAL NET ASSETS	3,160,589	2,755,960
TOTAL LIABILITIES AND NET ASSETS	\$3,209,806	\$2,949,531

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
Revenue and support			
Private contributions	\$ 302,778	\$ 49,368	\$ 352,146
Grants	496,737	1,055,532	1,552,269
Litigation settlement	980,982	-	980,982
Other income	10,294	-	10,294
Net realized and unrealized investment gains	3,910	-	3,910
Net assets released from restrictions	<u>989,589</u>	<u>(989,589)</u>	<u>-</u>
Total revenue and support	<u>2,784,290</u>	<u>115,311</u>	<u>2,899,601</u>
Expenses			
Program services	1,994,135	-	1,994,135
Management and general	386,873	-	386,873
Fundraising	<u>113,964</u>	<u>-</u>	<u>113,964</u>
Total expenses	<u>2,494,972</u>	<u>-</u>	<u>2,494,972</u>
Increase in net assets	289,318	115,311	404,629
Net assets - beginning of year	<u>2,324,782</u>	<u>431,178</u>	<u>2,755,960</u>
Net assets - end of year	<u>\$2,614,100</u>	<u>\$ 546,489</u>	<u>\$3,160,589</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Private contributions	\$ 212,293	\$ 42,393	\$ 254,686
Grants	351,951	495,000	846,951
Litigation settlement	1,805,789	632,288	2,438,077
Other income	3,403	-	3,403
Net realized and unrealized investment gains	8	-	8
Net assets released from restrictions	<u>1,135,276</u>	<u>(1,135,276)</u>	<u>-</u>
Total revenue and support	<u>3,508,720</u>	<u>34,405</u>	<u>3,543,125</u>
Expenses			
Program services	1,430,169	-	1,430,169
Management and general	196,739	-	196,739
Fundraising	<u>46,943</u>	<u>-</u>	<u>46,943</u>
Total expenses	<u>1,673,851</u>	<u>-</u>	<u>1,673,851</u>
Increase in net assets	1,834,869	34,405	1,869,274
Net assets - beginning of year	<u>489,913</u>	<u>396,773</u>	<u>886,686</u>
Net assets - end of year	<u>\$2,324,782</u>	<u>\$ 431,178</u>	<u>\$2,755,960</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>
Salaries and payroll taxes	\$1,100,162	\$ 780,279	\$ 238,393	\$ 81,490
Legal program expenses	1,024,644	981,616	42,228	800
Grants and donations	85,050	85,050	-	-
Insurance	73,924	50,968	17,757	5,199
Travel expenses	62,150	47,339	11,778	3,033
Office supplies	43,488	14,097	13,076	16,315
Rent	32,937	21,066	9,431	2,440
Accounting	29,094	1,827	27,267	-
Information technology	17,412	2,018	15,231	163
Events and meetings	8,928	6,704	333	1,891
Other taxes, licenses and fees	5,988	-	5,988	-
Bank fees	4,804	3	2,168	2,633
Training	2,867	2,867	-	-
Depreciation	2,014	-	2,014	-
Dues and subscriptions	725	131	594	-
Advertising	615	-	615	-
Lobbying	<u>170</u>	<u>170</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$2,494,972</u>	<u>\$1,994,135</u>	<u>\$ 386,873</u>	<u>\$ 113,964</u>

See accompanying notes and independent auditor's report.

ABOLITIONIST LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>
Legal program expenses	\$ 794,477	\$ 788,614	\$ 5,863	\$ -
Salaries and payroll taxes	689,766	541,144	107,543	41,079
Insurance	41,765	27,568	12,104	2,093
Information technology	26,393	3,651	22,742	-
Travel expenses	22,963	16,160	6,753	50
Office supplies	21,655	9,773	11,328	554
Accounting	20,023	-	20,023	-
Grants and donations	18,750	18,750	-	-
Rent	15,814	12,406	2,466	942
Events and meetings	7,590	4,593	2,990	7
Advertising	4,500	3,650	850	-
Bank fees	3,248	484	546	2,218
Lobbying	2,243	2,243	-	-
Other taxes, licenses and fees	2,142	-	2,142	-
Depreciation	1,389	-	1,389	-
Training	<u>1,133</u>	<u>1,133</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$1,673,851</u>	<u>\$1,430,169</u>	<u>\$196,739</u>	<u>\$ 46,943</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>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 404,629	\$1,869,274
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,014	1,389
Amortization - adoption of FASB ASC 842	688	-
Realized (gains) losses on sales of investments	(5,849)	-
Unrealized (gains) losses on investments	1,904	-
Decrease (increase) in:		
Restricted cash escrow	142,757	(142,757)
Grant receivables	(363,447)	(277,951)
Accounts receivable	(40,529)	28,259
Other current assets	(2,775)	(2,920)
Other assets	1,338	(2,300)
Increase (decrease) in:		
Accounts payable and accrued expenses	10,831	(7,489)
Other liabilities	(190,202)	178,905
Total adjustments	(443,270)	(224,864)
Net cash provided by (used in) operating activities	(38,641)	1,644,410
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	70,469	-
Purchases of investments	(535,768)	-
Purchases of property and equipment	-	(14,430)
Net cash used in investing activities	(465,299)	(14,430)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(503,940)	1,629,980
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,492,243	862,263
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,988,303</u>	<u>\$2,492,243</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, 2022 AND 2021

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 is a public interest law firm inspired by the struggle of political and politicized prisoners, and organized for the purpose of abolishing class and race based mass incarceration in the United States. ALC litigates on behalf of people whose human rights have been violated in prison, educates the general public about the evils of mass incarceration, and works to develop a mass movement against the American punishment system by building alliances and nurturing solidarity across social divisions.

The ALC seeks to challenge this status quo by building creative, principled, visionary, and lasting alliances with people and organizations inside and outside of prison who are determined to confront and defeat these interconnected systems of oppression, and replace them with healthy, sustainable, and liberating alternatives.

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.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(Continued)

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

- B. Revenue Recognition - Revenues are recognized when control of the promised services is transferred to the customer in an amount that reflects the consideration the ALC expects to be entitled to receive in exchange for those services.

Contributions and litigation settlements are recognized as revenue at fair value in the earlier of the period promised or received. Conditional pledges or promises to give, with a measurable performance or another barrier, and the right of return, are not recognized until the conditions on which they depend have been substantially met. The ALC had no conditional promises during the years ending December 31, 2022 and 2021.

Revenue from programs, events, and fees is recognized as revenue when the events or programs are held. Deferred programs, events, and fees revenue represent advance payments received that are applicable to future periods.

Grants revenue, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, are recognized as revenue when the ALC has incurred expenditures in compliance with specific contract or grant provisions.

- C. 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 and changes in net assets as net assets released from 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.

ABOLITIONIST LAW CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(Continued)

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

- 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 net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment revenue is presented net of investment fees.
- I. Property and Equipment - ALC capitalizes all expenditures for property and equipment in excess of \$2,500. 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
Leasehold improvements	15 years

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.

- 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 \$615 and \$4,500 for the years ended December 31, 2022 and 2021, respectively.

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Continued)

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

- L. 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.
- M. Leases - The ALC determines if any arrangement is a lease at the inception of a contract. For leases where the ALC is the lessee, it recognizes lease assets and related lease liabilities at the lease commencement date based on the present value of lease payments over the lease term. A lease asset and lease liability are not recorded for leases below a capitalization threshold set by Management or with an initial term of 12 months or less, and the lease expense related to these leases is recognized as incurred over the lease term.
- N. Reclassifications - Certain reclassifications have been made to the 2021 presentation to conform to the format used in 2022. Total net assets and changes in net assets are unchanged due to these reclassifications.
- O. Date of Management's Review and Subsequent Event - Management has evaluated subsequent events through October 18, 2023, the date the financial statements were available to be issued.

NOTE 3 - GRANT RECEIVABLES:

Grant receivables consist of the following:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Grants with donor restrictions	\$254,000	\$283,000
Grants without donor restrictions	<u>417,333</u>	<u>-</u>
	671,333	283,000
Discount to net present value	(<u>24,935</u>)	(<u>49</u>)
	646,398	282,951
Less current portion	(<u>329,333</u>)	(<u>279,000</u>)
Grants receivables – less current portion	<u>\$317,065</u>	<u>\$ 3,951</u>

The discounted grants, net of allowance, are to be collected as follows:

Grants due in less than one year	\$329,333
Grants due in one to five years	<u>317,065</u>
	<u>\$646,398</u>

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Continued)

NOTE 4 - OTHER CURRENT ASSETS:

Other current assets consist of the following at:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Retainer	\$ 6,325	\$ -
Accrued interest and dividends receivable	1,878	-
Other	66	829
Prepaid health insurance	<u>-</u>	<u>4,665</u>
	<u>\$ 8,269</u>	<u>\$ 5,494</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$14,430	\$14,430
Equipment	<u>6,273</u>	<u>6,273</u>
	20,703	20,703
Less - accumulated depreciation	<u>5,585</u>	<u>3,571</u>
	<u>\$15,118</u>	<u>\$17,132</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Accrued payable	\$12,669	\$ -
Accrued expenses	345	2,356
Credit cards payable	<u>1,186</u>	<u>1,013</u>
	<u>\$14,200</u>	<u>\$ 3,369</u>

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Continued)

NOTE 7 - OTHER LIABILITIES:

Other liabilities consist of the following at:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Settlement funds to be dispersed	\$ -	\$142,757
Contract advances	<u>-</u>	<u>47,445</u>
	<u>\$ -</u>	<u>\$190,202</u>

The ALC receives settlement funds for cases that are settled. The portion of the settlement funds that are to be disbursed for outside legal fees, costs and settlements to plaintiffs are recorded as restricted cash and other liabilities.

The ALC receives advance payments on contracts which are recorded as other liabilities until the services are performed.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Ending solitary confinement project	\$319,515	\$ 4,096
Court watch project	104,660	309,786
Allegheny County Jail project	55,000	50,000
Coalition to abolish death by incarceration project	24,186	19,350
PENN Franchise	14,400	-
Whistleblower support project	13,346	25,896
PA justice alliance	10,000	-
Transup	4,009	-
Toxic prisons project	1,373	15,752
Movement support project	-	5,188
MOVE project	<u>-</u>	<u>1,110</u>
	<u>\$546,489</u>	<u>\$431,178</u>

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Continued)

NOTE 9 - LEASES – ADOPTION OF FASB ASC 842:

Effective January 1, 2022, the ALC adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The ALC will not record a right of use asset and lease liability for leases with a term of less than 12 months and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The ALC elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the ALC to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The ALC elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the execution of the lease contract. The ALC also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, *Leases*, resulted in the following impact at January 1, 2022:

Noncurrent operating ROU Asset	<u>\$71,916</u>
Assets	<u>\$71,916</u>
Current lease liability	\$36,899
Noncurrent lease liability	<u>35,017</u>
Liabilities	<u>\$71,916</u>

At the inception of new contracts, the ALC determines if the contract is or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset or a period of time in exchange for consideration. ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term at commencement. For leases that do not have a readily determinable implicit rate, the ALC uses a risk-free discount rate which is determined considering factors such as the lease term, the ALC's credit rating and the economic environment of the location of the lease as of the commencement date.

The ALC accounts for non-lease components separately from lease components. These costs often relate to the payments for a proportionate share of real estate taxes, insurance, common area maintenance and other operating costs in addition to base rent. The ALC also does not recognize ROU assets and liabilities for leases with an initial term of 12 months or less. Lease costs associated with leases of less than 12 months were \$-0- for the year ended December 31, 2022.

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Continued)

NOTE 9 - LEASES – ADOPTION OF FASB ASC 842 (continued):

As a lessee, the ALC has various operating agreements primarily related to real estate. The ALC's real estate leases, which are comprised primarily of office facilities, represent the majority of the ALC's lease liability. The ALC's lease payments are largely fixed. Any variable lease payments, including utilities, common area maintenance and repairs and maintenance, are expensed during the period incurred. Variable lease costs were \$-0- for the year ended December 31, 2022. A majority of the ALC's real estate leases include options to extend the lease and options to early terminate the lease. Leases with an early termination option generally involve a termination payment. The ALC reviews all options to extend or terminate, at the inception of the lease and account for these options when they are reasonably certain of being exercised. The ALC's lease agreements generally do not contain any material residual value guarantees or materially restrictive covenants. The ALC does not have any material leases that have been signed but not commenced.

Operating lease expenses are recognized on a straight-line basis over the lease term and are included in operating expenses on the Statements of Activities and Changes in Net Assets. Operating lease expenses amounted to approximately \$32,900 for the year ended December 31, 2022.

The following table sets forth supplemental balance sheet information related to the ALC's operating lease for the year ended December 31, 2022:

Weighted average remaining lease term	1.5 years
Weighted average discount rate	1.00%

The following table sets forth supplemental cash flow information related to the ALC's operating lease for the year ended December 31, 2022:

Operating cash outflows from operating leases	\$37,338
Reduction in lease liability	\$36,899

The following table sets forth the maturities of the ALC's operating lease liabilities and reconciles the respective undiscounted payments to the operating lease liabilities in the balance sheet as of December 31, 2022:

2023	\$26,540
2024	<u>8,707</u>
Total undiscounted operating lease payments	35,247
Less - discount to net present value	<u>230</u>
	<u>\$35,017</u>

ABOLITIONIST LAW CENTER**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022 AND 2021**

(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 years ended December 31, 2022 and 2021.

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, 2019.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$1,988,303	\$2,492,243
Investments at fair value	469,244	-
Accounts receivable	44,183	3,654
Grant receivables	329,333	279,000
Other current assets	8,269	5,494
Less: restricted by donors with purpose and time restrictions	(546,489)	(431,178)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,292,843</u>	<u>\$2,349,213</u>