

HER JUSTICE INC.

**Financial Statements
for years ended
June 30, 2019
and
June 30, 2018**

Independent Auditor's Report

To the Board of Directors
Her Justice Inc.

We have audited the accompanying financial statements of Her Justice Inc. which comprise the statement of financial position as of June 30, 2019 and June 30, 2018 and the related statements of activities, 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 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 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 Her Justice Inc. as of June 30, 2019 and June 30, 2018 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

November 18, 2019

HER JUSTICE INC.

Statement of Financial Position

Assets

	June 30	
	2019	2018
Current assets		
Cash and money market funds	\$2,187,267	\$2,120,806
Investments, at fair value	2,243,813	2,108,498
Accounts and other receivables	693,919	439,791
Prepaid expenses	2,336	2,336
Total current assets	5,127,335	4,671,431
Leasehold improvements, office furniture and equipment, net of accumulated depreciation and amortization of \$367,604 and \$347,922 in 2019 and 2018, respectively	78,904	111,019
Security and other deposits	152,821	151,095
Total assets	\$5,359,060	\$4,933,545

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 604,468	\$ 385,368
Net assets		
Without donor restrictions		
Operating fund	2,213,273	2,217,173
Sustainability fund	2,243,813	2,108,498
Bequest fund	207,506	207,506
Total net assets without donor restrictions	4,664,592	4,533,177
With donor restrictions	90,000	15,000
Total net assets	4,754,592	4,548,177
Total liabilities and net assets	\$5,359,060	\$4,933,545

See notes to financial statements.

HER JUSTICE INC.

Statement of Activities

	2019						2018					
	Year Ended June 30											
	Without Donor Restrictions			With Donor Restrictions			Without Donor Restrictions			With Donor Restrictions		
	Operating	Sustainability Fund	Bequest Fund	Total	All Funds		Operating	Sustainability Fund	Bequest Fund	Total	All Funds	
Operating revenue												
Contributions	\$ 1,499,897	\$ -	\$ -	\$ 1,499,897	\$ 1,589,897	\$ 1,696,817	\$ -	\$ -	\$ -	\$ 1,696,817	\$ -	\$ 1,696,817
Contract services	1,406,508	-	-	1,406,508	1,406,508	890,408	-	-	-	890,408	-	890,408
Benefit auction	2,134,010	-	-	2,134,010	2,134,010	2,191,458	-	-	-	2,191,458	-	2,191,458
Fall fundraiser	235,011	-	-	235,011	235,011	508,143	-	-	-	508,143	-	508,143
Investment return, net	6,601	135,315	-	141,916	141,916	5,747	87,065	-	-	92,812	-	92,812
Other	45,341	-	-	45,341	45,341	45,100	-	-	-	45,100	-	45,100
Net assets released from restrictions	15,000	-	-	15,000	-	40,000	-	-	-	40,000	(40,000)	-
Total operating revenue	5,342,368	135,315	-	5,477,683	5,552,683	5,377,673	87,065	-	-	5,464,738	(40,000)	5,424,738
Donated services and materials												
Total revenue	42,115,089	-	-	42,115,089	42,115,089	41,462,767	-	-	-	41,462,767	-	41,462,767
	47,457,457	135,315	-	47,592,772	47,667,772	46,840,440	87,065	-	-	46,927,505	(40,000)	46,887,505
Operating expenses												
Program services	3,956,532	-	-	3,956,532	3,956,532	3,899,959	-	-	-	3,899,959	-	3,899,959
Fundraising	765,877	-	-	765,877	765,877	943,671	-	-	-	943,671	-	943,671
Management and general	623,859	-	-	623,859	623,859	565,419	-	-	-	565,419	-	565,419
Total operating expenses	5,346,268	-	-	5,346,268	5,346,268	5,409,049	-	-	-	5,409,049	-	5,409,049
Donated services and materials												
Total expenses	42,115,089	-	-	42,115,089	42,115,089	41,462,767	-	-	-	41,462,767	-	41,462,767
	47,461,357	-	-	47,461,357	47,461,357	46,871,816	-	-	-	46,871,816	-	46,871,816
Increase (decrease) in net assets	(3,900)	135,315	-	131,415	206,415	(31,376)	87,065	-	-	55,689	(40,000)	15,689
Net assets, beginning of year	2,217,173	2,108,498	207,506	4,533,177	4,548,177	2,248,549	2,021,433	207,506	207,506	4,477,488	55,000	4,532,488
Net assets, end of year	\$ 2,213,273	\$ 2,243,813	\$ 207,506	\$ 4,664,592	\$ 4,754,592	\$ 2,217,173	\$ 2,108,498	\$ 207,506	\$ 207,506	\$ 4,533,177	\$ 15,000	\$ 4,548,177

See notes to financial statements.

HER JUSTICE INC.

Statement of Functional Expenses

	Year Ended June 30			
	2019		2018	
	Supporting Activities		Supporting Activities	
	Program Services	Fundraising and Management General	Program Services	Fundraising and Management General
Salaries	\$ 2,250,835	\$ 398,071	\$ 2,230,994	\$ 404,262
Payroll taxes and employee benefits	457,865	80,976	440,117	78,995
Total salaries and related expenses	2,708,700	479,047	2,671,111	483,257
Occupancy	613,201	34,067	586,500	32,583
Professional fees	111,400	18,425	90,070	17,550
Legal resources and training	60,395	6,711	72,836	-
Information technologies	80,558	4,475	116,995	6,500
Marketing expenses	95,094	-	66,162	16,541
Insurance	34,970	3,886	34,527	3,836
Depreciation and amortization	40,683	4,520	37,432	4,159
Administrative expenses	156,153	17,350	157,801	17,534
Sub-total	1,192,454	89,434	1,162,323	82,162
Total operating expenses	3,901,154	568,481	3,833,434	565,419
Donated services and materials	42,115,089	-	41,462,767	-
Benefit auction	43,730	43,730	43,933	-
Fall fundraiser	11,648	11,648	22,592	-
Total expenses	\$46,071,621	\$ 623,859	\$45,362,726	\$ 565,419
		\$ 765,877	\$47,461,357	\$ 943,671
				\$ 1,303,324
				4,743,801
				41,462,767
				439,327
				225,921
				\$46,871,816

See notes to financial statements.

HER JUSTICE INC.

Statement of Cash Flows

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 206,415	\$ 15,689
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	45,203	41,591
Realized loss (gain) on investments	6,623	(2,182)
Unrealized (gain) on investments	(94,414)	(42,317)
Non-cash contributions	66,556	59,243
Proceeds from non-cash contributions	(66,556)	(59,243)
(Increase) in accounts receivables	(254,128)	(26,227)
(Increase) in security and other deposits	(1,726)	(1,272)
Increase (decrease) in accounts payable and accrued expenses	<u>219,100</u>	<u>(84,074)</u>
Net cash provided by (used in) operating activities	<u>127,073</u>	<u>(98,792)</u>
Cash flows from investing activities		
Purchase of leasehold improvements, office furniture and equipment	(13,088)	(6,640)
Proceeds from sale of investments	1,946,233	84,417
Purchases of investments	<u>(1,993,757)</u>	<u>(281,984)</u>
Net cash (used in) investing activities	<u>(60,612)</u>	<u>(204,207)</u>
Net increase (decrease) in cash and money market funds	66,461	(302,999)
Cash and money market funds, beginning of year	<u>2,120,806</u>	<u>2,423,805</u>
Cash and money market funds, end of year	<u>\$2,187,267</u>	<u>\$2,120,806</u>

See notes to financial statements.

HER JUSTICE INC.

Notes to Financial Statements June 30, 2019 and 2018

Note 1 – The Organization

Her Justice (the “Organization”) was organized as a nonprofit corporation under the laws of the State of New York on October 9, 1992. The Organization stands with women living in poverty in New York City by recruiting and mentoring volunteer lawyers to provide free legal help, and by addressing individual and systemic legal barriers.

Note 2 – Liquidity and availability of financial assets

The following is a summary of the organization’s financial assets as of the statement of financial position date that are available for general use within one year of the statement of financial position date:

Cash and cash equivalents	\$ 2,187,267
Investments, at fair value	2,243,813
Account Receivables, net	<u>693,919</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,124,999</u>

Note 3 – Summary of significant accounting policies

Net assets

The Organization recognizes all unconditional grants and contributions as support on the statement of activities. Any grants or contributions that are without donor restrictions are recognized as such. Any grants or contributions that are restricted or pertain to future periods are reflected as net assets with donor restrictions. The following is a summary of the net assets:

Without donor restrictions

Operating

Operating net assets are used to account for the general activities.

Sustainability fund

During the 2013 fiscal year, the Board of Directors authorized the establishment of a sustainability fund. The fund is to be used to ensure long-term sustainability.

Bequest fund

During the 2009 fiscal year, the Board of Directors authorized the establishment of a bequest fund. The fund is to be used to support development and marketing initiatives.

With donor restrictions

Net assets with donor restrictions consist of expendable grants and contributions which are restricted by the donor or pertain to future periods. When the time restriction ends or the purpose of the restriction is accomplished, 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 restriction.

HER JUSTICE INC.**Notes to Financial Statements (continued)**
June 30, 2019 and 2018**Note 3 – Summary of significant accounting policies (continued)****Contributions**

A majority of revenues are from donated legal services and from contributions. Contributions are recognized as revenue in the period contributed. Contributions other than cash are recorded at their fair value on the date they are received.

Its policy is to record, as unrestricted operating revenue, contributions with donor-imposed restrictions when these restrictions are met in the same year that these contributions are received. Contributions with donor restrictions are recorded as temporarily restricted support.

Donated services and materials

The Organization engages the vast talent and resources of New York City's law firms, bringing together committed lawyers and determined women to secure life changing results. The Organization recognizes those and other donated services, which require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if they had not been provided by donation. The Organization also receives donated materials. The estimated fair value of these services and materials has been reported in the statement of activities.

Cash equivalents

Highly liquid assets with a maturity of ninety days or less are considered to be cash equivalents.

Investments

Investments are recorded at fair value based on publicly quoted prices. Realized and unrealized gains and losses on the investments are recognized as revenue in the statement of activities in the sustainability fund.

Allowance for doubtful accounts

The Organization has determined that an allowance for doubtful accounts is not required for any accounts receivable or unconditional promises to give that may not be collectible. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and the current economic conditions.

Leasehold improvements, office furniture, equipment and depreciation

Office furniture and equipment are recorded at cost and are being depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are being amortized over the term of the lease. During 2019 and 2018 fiscal years, \$25,521 and \$19,216, respectively, of fully depreciated assets were written off the books of the Organization.

HER JUSTICE INC.

Notes to Financial Statements (continued)
June 30, 2019 and 2018**Note 3 – Summary of significant accounting policies (continued)**Expense allocation

Expenses are charged to program services and fundraising on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of Her Justice.

Concentrations of credit risk

Financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and money market funds, investment and receivables. The Organization places its cash and money market funds with what it believes to be quality financial institutions. At times during the year, cash balances exceeded the FDIC insurance limit. The Organization has not experienced any losses in such accounts to date. The Organization invests in mutual funds. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. The Organization routinely assesses the financial strength of its holdings in its investment portfolio. The Organization believes the receivables are collectible. The Organization believes no significant concentrations of credit risk exist with respect to its cash and money market funds, investment and receivables.

Use of 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 the amounts reported in the financial statements. Actual results may differ from these estimates.

Not-for-Profit Financial Statement Presentation

During the 2019 fiscal year, the Foundation adopted Accounting Standards Update (“ASU”) No. 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 following is a summary of the net asset reclassifications as required by the adoption of the ASU as of June 30, 2018:

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Operating	\$ 2,217,173	\$ -	\$ 2,217,173
Sustainability fund	2,108,498	-	2,108,498
Bequest fund	207,506	-	207,506
Temporarily restricted	-	15,000	15,000
Net assets, as reclassified			
June 30, 2018	<u>\$ 4,533,177</u>	<u>\$ 15,000</u>	<u>\$ 4,548,177</u>

HER JUSTICE INC.

Notes to Financial Statements (continued) June 30, 2019 and 2018

Note 3 – Summary of significant accounting policies (continued)

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2019, which is the date the financial statements were available to be issued.

Note 4 – Investments

At June 30, 2019 and June 30, 2018, investments consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 53,697	\$ 53,697	\$ 24,117	\$ 24,117
Mutual funds				
Equity				
Domestic	409,521	523,283	398,963	475,798
International	281,253	288,399	281,253	292,356
Fixed Income - Bonds	1,336,212	1,378,434	1,335,449	1,316,227
Total	<u>\$2,080,683</u>	<u>\$2,243,813</u>	<u>\$2,039,782</u>	<u>\$2,108,498</u>

The following is a summary of investment income:

	2019	2018
Interest and dividend income, net	\$ 47,524	\$ 42,566
Realized gain (loss) on disposition of investments	(6,623)	2,182
Unrealized gain due to change in fair value of investments	94,414	42,317
Total investment return, net	<u>\$ 135,315</u>	<u>\$ 87,065</u>

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of the assets.

All investments are considered to be Level 1.

HER JUSTICE INC.

Notes to Financial Statements (continued)
June 30, 2019 and 2018**Note 5 – Net assets with donor restrictions**

The transactions and components of temporarily restricted net assets for the year ended June 30, 2019 and June 30, 2018 are as follows:

<u>Purpose</u>	<u>Balance at June 30, 2018</u>	<u>Support and Other</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2019</u>
Multi-year pledges	\$ 15,000	\$ 90,000	\$ (15,000)	\$ 90,000

<u>Purpose</u>	<u>Balance at June 30, 2017</u>	<u>Support and Other</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2018</u>
Multi-year pledges	\$ 55,000	\$ -	\$ (40,000)	\$ 15,000

Note 6 – Retirement plan

Effective January 1, 2009, the Organization sponsors a flexible 401(k) profit sharing plan whereby eligible employees may authorize payroll deductions of a percentage of their salary not to exceed IRS limits. Each participant invests these amounts in various self-directed investment contracts, and the Plan is administered by an independent contractor. During fiscal 2019 and 2018, the Organization's contributions to the plan totaling to \$78,780 and \$67,781, respectively.

Note 7 – Lease agreements

During June 2011, the Organization entered into a 10- year 7- month lease agreement. Monthly payments of \$46,560 began seven months after the commencement date for the first 5 years and \$52,380 for the remainder of the lease. In connection with the lease, Her Justice has a letter of credit secured by a certificate of deposit for \$148,410.

The following is a summary of the required annual lease payments over the term of the lease:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 628,560
2021	628,560
2022	<u>576,180</u>
Total	<u>\$ 1,833,300</u>

During September 2013, the Organization entered into a license agreement for a portion of office space for six months and then to continue on a month-to-month basis, terminable upon ninety day notice from either party.

HER JUSTICE INC.**Notes to Financial Statements (continued)**
June 30, 2019 and 2018**Note 8 – Tax status**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, it has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. Her Justice qualifies for maximum charitable contribution deductions for donors.