

HER JUSTICE INC.

**Financial Statements
for years ended
June 30, 2020
and
June 30, 2019**

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, 2020 and June 30, 2019 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, 2020 and June 30, 2019 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

December 21, 2020

HER JUSTICE INC.

Statement of Financial Position

Assets

| | June 30 | |
|---|--------------------|--------------------|
| | 2020 | 2019 |
| Current assets | | |
| Cash and money market funds | \$2,298,369 | \$2,187,267 |
| Investments, at fair value | 2,326,483 | 2,243,813 |
| Accounts and other receivables | 802,670 | 693,919 |
| Prepaid expenses | 2,336 | 2,336 |
| Total current assets | 5,429,858 | 5,127,335 |
| Leasehold improvements, office furniture and equipment, net of accumulated depreciation and amortization of \$397,416 and \$367,604 in 2020 and 2019, respectively | 44,006 | 78,904 |
| Security and other deposits | 155,529 | 152,821 |
| Total assets | \$5,629,393 | \$5,359,060 |

Liabilities and Net Assets

| | | |
|---|--------------------|--------------------|
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 172,892 | \$ 604,468 |
| Loan payable | 613,265 | - |
| Total current liabilities | 786,157 | 604,468 |
| Net assets | | |
| Without donor restrictions | | |
| Operating fund | 2,309,247 | 2,213,273 |
| Sustainability fund | 2,326,483 | 2,243,813 |
| Bequest fund | 207,506 | 207,506 |
| Total net assets without donor restrictions | 4,843,236 | 4,664,592 |
| With donor restrictions | - | 90,000 |
| Total net assets | 4,843,236 | 4,754,592 |
| Total liabilities and net assets | \$5,629,393 | \$5,359,060 |

See notes to financial statements.

HER JUSTICE INC.

Statement of Activities

Year Ended June 30

2019

2020

| | Without Donor Restrictions | | | With Donor Restrictions | Total All Funds | Without Donor Restrictions | | | With Donor Restrictions | Total All Funds |
|--|----------------------------|---------------------|--------------|-------------------------|-----------------|----------------------------|---------------------|--------------|-------------------------|-----------------|
| | Operating | Sustainability Fund | Bequest Fund | | | Operating | Sustainability Fund | Bequest Fund | | |
| Operating revenue | | | | | | | | | | |
| Contributions | \$ 1,962,025 | \$ - | \$ - | \$ 1,962,025 | \$ 1,962,025 | \$ - | \$ - | \$ 1,499,897 | \$ 90,000 | \$ 1,589,897 |
| Contract services | 1,397,811 | - | - | 1,397,811 | 1,406,508 | - | - | 1,406,508 | - | 1,406,508 |
| Benefit auction | 1,687,024 | - | - | 1,687,024 | 2,134,010 | - | - | 2,134,010 | - | 2,134,010 |
| Fall fundraiser | 78,295 | - | - | 78,295 | 235,011 | - | - | 235,011 | - | 235,011 |
| Investment return, net | 5,875 | 82,670 | - | 88,545 | 6,601 | - | 135,315 | 141,916 | - | 141,916 |
| Other | 19,349 | - | - | 19,349 | 45,341 | - | - | 45,341 | - | 45,341 |
| Net assets released from restrictions | 90,000 | - | - | 90,000 | - | (90,000) | - | 15,000 | (15,000) | - |
| Total operating revenue | 5,240,379 | 82,670 | - | 5,323,049 | 5,342,368 | (90,000) | 135,315 | 5,477,683 | 75,000 | 5,552,683 |
| Donated services and materials | | | | | | | | | | |
| Total revenue | 38,636,825 | 82,670 | - | 38,636,825 | 43,869,874 | (90,000) | 135,315 | 42,115,089 | - | 42,115,089 |
| | 43,877,204 | | | 43,959,874 | 47,457,457 | | | 47,592,772 | 75,000 | 47,667,772 |
| Operating expenses | | | | | | | | | | |
| Program services | 4,030,598 | - | - | 4,030,598 | 3,956,532 | - | - | 3,956,532 | - | 3,956,532 |
| Fundraising | 558,852 | - | - | 558,852 | 765,877 | - | - | 765,877 | - | 765,877 |
| Management and general | 554,955 | - | - | 554,955 | 623,859 | - | - | 623,859 | - | 623,859 |
| Total operating expenses | 5,144,405 | - | - | 5,144,405 | 5,346,268 | - | - | 5,346,268 | - | 5,346,268 |
| Donated services and materials | | | | | | | | | | |
| Total expenses | 38,636,825 | - | - | 38,636,825 | 42,115,089 | - | - | 42,115,089 | - | 42,115,089 |
| | 43,781,230 | | | 43,781,230 | 47,461,357 | | | 47,461,357 | - | 47,461,357 |
| Increase (decrease) in net assets | 95,974 | 82,670 | - | 178,644 | (3,900) | (90,000) | 135,315 | 131,415 | 75,000 | 206,415 |
| Net assets, beginning of year | 2,213,273 | 2,243,813 | 207,506 | 4,664,592 | 2,217,173 | 90,000 | 2,108,498 | 4,533,177 | 15,000 | 4,548,177 |
| Net assets, end of year | \$ 2,309,247 | \$ 2,326,483 | \$ 207,506 | \$ 4,843,236 | \$ 2,213,273 | \$ - | \$ 2,243,813 | \$ 4,664,592 | \$ 90,000 | \$ 4,754,592 |

See notes to financial statements.

HER JUSTICE INC.

Statement of Functional Expenses

| | Year Ended June 30 | | | | | | | |
|-------------------------------------|--------------------|-----------------------------------|------------------------|--------------|------------------|-----------------------------------|------------------------|--------------|
| | 2020 | | | 2019 | | | | |
| | Program Services | Supporting Activities Fundraising | Management and General | Total | Program Services | Supporting Activities Fundraising | Management and General | Total |
| Salaries | \$ 2,263,133 | \$ 197,886 | \$ 352,185 | \$ 2,813,204 | \$ 2,250,835 | \$ 216,501 | \$ 398,071 | \$ 2,865,407 |
| Payroll taxes and employee benefits | 467,440 | 40,872 | 72,742 | 581,054 | 457,865 | 44,041 | 80,976 | 582,882 |
| Total salaries and related expenses | 2,730,573 | 238,758 | 424,927 | 3,394,258 | 2,708,700 | 260,542 | 479,047 | 3,448,289 |
| Occupancy | 636,741 | 35,375 | 35,375 | 707,491 | 613,201 | 34,067 | 34,067 | 681,335 |
| Professional fees | 214,561 | 65,387 | 28,710 | 308,658 | 111,400 | - | 18,425 | 129,825 |
| Legal resources and training | 70,302 | - | 7,811 | 78,113 | 60,395 | - | 6,711 | 67,106 |
| Information technologies | 92,716 | 5,151 | 5,151 | 103,018 | 80,558 | 4,475 | 4,475 | 89,508 |
| Marketing expenses | 25,360 | 59,955 | 6,918 | 92,233 | 95,094 | 23,773 | - | 118,867 |
| Insurance | 35,507 | - | 3,945 | 39,452 | 34,970 | - | 3,886 | 38,856 |
| Depreciation and amortization | 39,050 | - | 4,339 | 43,389 | 40,683 | - | 4,520 | 45,203 |
| Administrative expenses | 148,345 | - | 16,483 | 164,828 | 156,153 | - | 17,350 | 173,503 |
| Sub-total | 1,262,582 | 165,868 | 108,732 | 1,537,182 | 1,192,454 | 62,315 | 89,434 | 1,344,203 |
| Total operating expenses | 3,993,155 | 404,626 | 533,659 | 4,931,440 | 3,901,154 | 322,857 | 568,481 | 4,792,492 |
| Donated services and materials | 38,636,825 | - | - | 38,636,825 | 42,115,089 | - | - | 42,115,089 |
| Benefit auction | 10,532 | 84,257 | 10,532 | 105,321 | 43,730 | 349,836 | 43,730 | 437,296 |
| Fall fundraiser | 26,911 | 69,969 | 10,764 | 107,644 | 11,648 | 93,184 | 11,648 | 116,480 |
| Total expenses | \$42,667,423 | \$ 558,852 | \$ 554,955 | \$43,781,230 | \$46,071,621 | \$ 765,877 | \$ 623,859 | \$47,461,357 |

See notes to financial statements.

HER JUSTICE INC.

Statement of Cash Flows

| | Year Ended | |
|---|---------------------------|---------------------------|
| | June 30 | |
| | <u>2020</u> | <u>2019</u> |
| Cash flows from operating activities | | |
| Increase in net assets | \$ 88,644 | \$ 206,415 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 43,389 | 45,203 |
| Realized loss on investments | 742 | 6,623 |
| Unrealized (gain) on investments | (16,824) | (94,414) |
| Non-cash contributions | 78,825 | 66,556 |
| Proceeds from non-cash contributions | (78,825) | (66,556) |
| (Increase) in accounts receivables | (108,751) | (254,128) |
| (Increase) in security and other deposits | (2,708) | (1,726) |
| Increase (decrease) in accounts payable and accrued expenses | <u>(431,576)</u> | <u>219,100</u> |
| Net cash provided by (used in) operating activities | <u>(427,084)</u> | <u>127,073</u> |
| Cash flows from investing activities | | |
| Purchase of leasehold improvements, office furniture and equipment | (8,491) | (13,088) |
| Proceeds from sale of investments | 380,252 | 1,946,233 |
| Purchases of investments | <u>(446,840)</u> | <u>(1,993,757)</u> |
| Net cash (used in) investing activities | <u>(75,079)</u> | <u>(60,612)</u> |
| Cash flows from financing activities | | |
| Proceeds from loan payable | <u>613,265</u> | <u>-</u> |
| Net increase in cash and money market funds | 111,102 | 66,461 |
| Cash and money market funds, beginning of year | <u>2,187,267</u> | <u>2,120,806</u> |
| Cash and money market funds, end of year | <u>\$2,298,369</u> | <u>\$2,187,267</u> |

See notes to financial statements.

HER JUSTICE INC.

Notes to Financial Statements June 30, 2020 and 2019

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:

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 2,298,369 | \$ 2,187,267 |
| Investments, at fair value | 2,326,483 | 2,243,813 |
| Accounts and other receivables | 802,670 | 693,919 |
| Total | \$ 5,427,522 | \$ 5,124,999 |

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 (temporary 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, 2020 and 2019****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.

The Organization's policy is to record, as support without donor restrictions, 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 support with donor restrictions.

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 2020 and 2019 fiscal years, \$13,577 and \$25,521, respectively, of fully depreciated assets were written off the books of the Organization.

HER JUSTICE INC.**Notes to Financial Statements (continued)
June 30, 2020 and 2019****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. 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 monitors its receivables on an ongoing basis and believes they are fully 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.

Risks and uncertainties

On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Organization's future financial operations is not readily determinable.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through December 21, 2020, which is the date the financial statements were available to be issued.

HER JUSTICE INC.

**Notes to Financial Statements (continued)
June 30, 2020 and 2019**

Note 4 – Investments

At June 30, 2020 and June 30, 2019, investments consist of the following:

| | <u>2020</u> | | <u>2019</u> | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Money market | \$ 32,463 | \$ 32,463 | \$ 53,697 | \$ 53,697 |
| Mutual funds | | | | |
| Equity | | | | |
| Domestic | 419,778 | 556,848 | 409,521 | 523,283 |
| International | 281,253 | 267,369 | 281,253 | 288,399 |
| Fixed Income - Bonds | <u>1,413,035</u> | <u>1,469,803</u> | <u>1,336,212</u> | <u>1,378,434</u> |
| Total | <u>\$2,146,529</u> | <u>\$2,326,483</u> | <u>\$2,080,683</u> | <u>\$2,243,813</u> |

The following is a summary of investment income:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-------------------|
| Interest and dividend income | \$ 72,460 | \$ 54,125 |
| Realized (loss) on disposition of investments | (742) | (6,623) |
| Unrealized gain due to change in fair value of investments | <u>16,824</u> | <u>94,414</u> |
| Total investment return, net | <u>\$ 88,542</u> | <u>\$ 141,916</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.

Note 5 – Loan payable

On May 4, 2020, the Organization received \$613,265 under the Paycheck Protection Program (“PPP”) which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Organization has recorded the proceeds as a liability until the loan is, in part or wholly, forgiven and the Organization is legally released. The Organization expects to spend all of the proceeds in accordance with the terms of the PPP loan program and to have the loan forgiven in its entirety during the 2021 fiscal year. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two-year term.

HER JUSTICE INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019**Note 6 – Net assets with donor restrictions**

The transactions and components of net assets with temporary donor restrictions for the year ended June 30, 2020 and June 30, 2019 are as follows:

| <u>Purpose</u> | <u>Balance at June 30, 2019</u> | <u>Support and Other</u> | <u>Released from Restrictions</u> | <u>Balance at June 30, 2020</u> |
|--------------------|---|----------------------------------|---------------------------------------|---|
| Multi-year pledges | \$ 90,000 | \$ - | \$ (90,000) | \$ - |

| <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 |

Note 7 – 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 2020 and 2019, the Organization's contributions to the plan totaling to \$64,856 and \$78,780, respectively.

Note 8 – 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, the Organization 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> |
|--------------------|---------------------|
| 2021 | \$ 628,560 |
| 2022 | <u>576,180</u> |
| Total | <u>\$ 1,204,740</u> |

During December 2019, the Organization entered into a license agreement for a portion of office space for one year 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, 2020 and 2019****Note 9 – 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.