

Uptown People's Law Center

FINANCIAL STATEMENTS

For the Year Ended

June 30, 2022

Uptown People's Law Center

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Uptown People's Law Center
Chicago, IL

Opinion

We have audited the accompanying financial statements of Uptown People's Law Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Uptown People's Law Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Uptown People's Law Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Uptown People's 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, including omissions, 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.

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 Uptown People's 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 Uptown People's 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.

Desmond & Akers, Ltd

October 16, 2023
Chicago, IL

UPTOWN PEOPLE'S LAW CENTER
STATEMENT OF FINANCIAL POSITION
As of June 30, 2022

Assets

Current assets

Cash and cash equivalents	\$ 1,070,450
Client trust account - restricted	118,980
Grants and pledges receivable	70,971
Prepaid expenses and deposits	10,347
Total current assets	<u>1,270,748</u>

Net property and equipment	<u>8,541</u>
Total Non-Current Assets	<u>8,541</u>

Total Assets	<u><u>\$ 1,279,289</u></u>
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Liabilities and Net Assets

Current liabilities

Accounts Payable	\$ 12,648
Accrued Expenses	78,819
Client Trust Account	118,980
Total current liabilities	<u>210,447</u>

Total liabilities	<u><u>210,447</u></u>
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Net Assets

Without donor restrictions	997,870
With donor restrictions	70,972
Total net assets	<u>1,068,842</u>

Total Liabilities and Net Assets	<u><u>\$ 1,279,289</u></u>
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See independent auditor's report and notes to financial statements.

UPTOWN PEOPLE'S LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Other Support</u>			
Grants	\$ 307,060	\$ 70,972	\$ 378,032
Contributions	281,654	-	281,654
Program Service Fees	36,151	-	36,151
Other	25,676	-	25,676
Releases from Restrictions	119,859	(119,859)	-
Total public support and revenue	<u>770,400</u>	<u>(48,887)</u>	<u>721,513</u>
<u>Expenses</u>			
Program services	682,459	-	682,459
Management and general	142,431	-	142,431
Fundraising	102,695	-	102,695
Total expenses	<u>927,585</u>	<u>-</u>	<u>927,585</u>
Change in net assets	(157,185)	(48,887)	(206,072)
Net assets, beginning of year	<u>1,155,055</u>	<u>119,859</u>	<u>1,274,914</u>
Net assets, end of year	<u><u>\$ 997,870</u></u>	<u><u>\$ 70,972</u></u>	<u><u>\$ 1,068,842</u></u>

See independent auditor's report and notes to financial statements.

UPTOWN PEOPLE'S LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Salaries	\$ 469,611	\$ 93,922	\$ 62,615	\$ 626,148
Benefits and Payroll Taxes	42,432	8,486	5,658	56,576
	<u>512,043</u>	<u>102,408</u>	<u>68,273</u>	<u>682,724</u>
Facilities and Equipment	19,441	1,611	1,074	22,126
Occupancy	57,690	1,581	1,519	60,790
Professional Dues	20,962	12,750	-	33,712
Operating Expenses	28,530	5,706	3,804	38,040
Fundraising	-	-	17,444	17,444
Litigation Expenses	29,372	-	-	29,372
Travel	6,743	185	177	7,105
Other Business Expenses	-	4,724	-	4,724
Miscellaneous Expenses	1,981	12,327	9,644	23,952
Depreciation	5,697	1,139	760	7,596
Total Expenses	<u><u>\$ 682,459</u></u>	<u><u>\$ 142,431</u></u>	<u><u>\$ 102,695</u></u>	<u><u>\$ 927,585</u></u>

See independent auditor's report and notes to financial statements.

UPTOWN PEOPLE'S LAW CENTER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in net assets	\$ (206,072)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and Amortization	7,596
(Increase) decrease in assets	
Client Trust account	(21,254)
Grant Pledges and Receivable	112,882
Prepaid expenses	1,915
Increase (decrease) in liabilities	
Accounts Payable	11,897
Accrued Expenses	(41,206)
Client Trust accounts	21,254
Net cash used in operating activities	<u>(112,988)</u>
Net (decrease) in cash and cash equivalents	(112,988)
Cash and cash equivalents, beginning of year	<u>1,183,438</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,070,450</u></u>

See independent auditor's report and notes to financial statements.

UPTOWN PEOPLE'S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Uptown People's Law Center (UPLC) was incorporated in 1979 as an Illinois nonprofit organization. UPLC is organized to establish, administer, and promote programs providing legal aid to indigent persons, assisting community residents in obtaining legal services and benefits, educating and training community residents, paraprofessionals, and community attorneys.

The major sources of revenue for UPLC are dependent upon and receives its revenues from grants, contributions, and fee-for-service agreements. Because of the nature of the cases and legal representations the organization is involved with, the nature of the revenue stream and related cash flow is not predictable, which impacts the financial results on a year-to-year basis.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in conformity with accounting principles applicable to non-profit organizations.

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year. Board designated are funds established by the Board of Directors and represent net assets without donor restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UPTOWN PEOPLE’S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Cash and Equivalents

Cash and equivalents consist of bank deposits in federally insured accounts. At times such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. The Organization has classified as restricted the following cash balances that are not available for operational use in the amount of \$118,980 related to client savings deposits as of June 30, 2022.

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

No cash was paid for taxes or interest during the year ended June 30, 2022.

Property and Equipment

Expenditures for land, building, property and equipment, and items which substantially increase the useful lives of existing assets greater than \$500, are capitalized and carried at cost. Any donated property and equipment are recorded at their estimated fair value when received. Amortization and depreciation expense is computed on the straight-line method at rates designed to depreciate the costs of assets over the following estimated useful lives of the related assets:

<u>Classification</u>	<u>Life</u>
Furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements	15 years

Depreciation expense totaled \$7,596 for the years ended June 30, 2022.

Contributions

Unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give, due in the subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Contributed Services

Donated services are reported as contributions when the services (1) create or enhance non-financial assets or (2) would be purchased if they had not been provided by contributions, require specialized skills and are provided by individuals possessing those skills. No donated services are reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Contributions Receivable

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. No allowance was deemed necessary as of June 30, 2022.

UPTOWN PEOPLE’S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Support and Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return-are not recognized until the conditions on which they depend have been met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 restrictions. It is the Organization’s policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations how long those long-lived assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2022, no such gifts of land, buildings, or equipment were received.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted. There no contract revenue recorded in 2022 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2022 that were performance reporting contracts. There are no contact assets or liabilities.

The organization receives a portion of its operating revenues from legal fees and social security administration (SSA) case fees.

Legal fees – UPLC provides legal aid to indigent persons and community residents. When e settlement fee is awarded, UPLC receives a portion of the settlement to help cover the share of legal services provided. Fees vary by case and are determined through negotiation after the settlement is determined. Revenue is recognized when the settlement is awarded.

SSA Case Fees – UPLC represents individuals who are disabled to obtain the social security benefits. In the event that UPLC wins the case, and the client is entitled to benefits, UPLC receives 25% of that amount; not to exceed \$6,000 per case. Revenue is recognized when payment is received.

UPTOWN PEOPLE’S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Donated Services and In-Kind Contributions

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services that met these criteria during the year ended June 30, 2022.

In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. There were no in-kind contributions during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, utilities, cleaning, office, insurance, repairs and maintenance and occupancy, which are allocated on a percentage of office square footage and salaries & benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of October 16, 2023.

Adoption of New Accounting Standard

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has determined that its leases are all short-term or immaterial, and as such, has elected to account for them using the practical expedient. The impact of the adoption of ASU 842 on the financial statements was not material.

UPTOWN PEOPLE’S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Income Tax Status

Uptown People's Law Center was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private Organization under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. Management believes the Organization continues to operate in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements. The Organization’s Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after it has been filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2022.

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,070,450
Grants and pledges receivable	70,971
Total financial assets, at year-end	<u>1,141,421</u>
Less amounts not available to be used within one year:	
Restricted by donor with time restrictions	(5,000)
Restricted by donor with purpose restrictions	(65,971)
Financial assets not available to be used within one year	<u>(70,971)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 1,070,450</u>

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

UPTOWN PEOPLE’S LAW CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 2 – Financial Assets and Liquidity Resources (cont.)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 3 – Retirement Plan

During the year ended June 30, 2020, UPLC established a SIMPLE IRA plan qualified under Section 408(p) of the Code. The 408(p) plan requires UPLC to contribute 2% of eligible employees’ compensation. Employer contributions to the 408(p) plan were \$16,007 for the year ended June 30, 2022.

Note 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2022, consisted of the following:

Restricted for time	\$ 5,000
Restricted for purpose:	
Civil legal assistance	23,193
Legal aid to prisoners	42,779
Total	<u>\$ 70,972</u>

Note 5 – Office Lease

UPLC leases office space on a month-to-month basis. Total rent paid for the years ended June 30, 2022, was \$60,790.