

UPTOWN PEOPLE'S LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2018

UPTOWN PEOPLE'S LAW CENTER

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Uptown People's Law Center

Report on the Financial Statements

We have audited the accompanying financial statements of Uptown People's Law Center (UPLC), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and of 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.

Auditors' 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 in the first paragraph present fairly, in all material respects, the financial position of Uptown People's Law Center as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 and 11 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Legacy Professionals LLP

Westchester, Illinois

March 7, 2019

UPTOWN PEOPLE'S LAW CENTER
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 638,086	\$ 689,125
Client trust account - restricted	31,737	58,401
Accounts receivable	89,532	124,689
Prepaid expenses and deposits	<u>5,644</u>	<u>6,191</u>
Total current assets	764,999	878,406
PROPERTY AND EQUIPMENT - net	<u>7,962</u>	<u>13,992</u>
Total assets	<u>\$ 772,961</u>	<u>\$ 892,398</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,323	\$ 1,633
Client trust account	<u>31,737</u>	<u>58,401</u>
Total current liabilities	<u>33,060</u>	<u>60,034</u>
NET ASSETS		
Unrestricted	650,369	707,675
Temporarily restricted	<u>89,532</u>	<u>124,689</u>
Total net assets	<u>739,901</u>	<u>832,364</u>
Total liabilities and net assets	<u>\$ 772,961</u>	<u>\$ 892,398</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
Grants and contributions	\$ 249,607	\$ 31,250	\$ 280,857	\$ 201,390	\$ 35,000	\$ 236,390
Program service fees	120,883	33,281	154,164	565,512	82,166	647,678
Other	5,473	-	5,473	4,320	-	4,320
Releases from restriction	99,688	(99,688)	-	6,785	(6,785)	-
Total revenue and support	<u>475,651</u>	<u>(35,157)</u>	<u>440,494</u>	<u>778,007</u>	<u>110,381</u>	<u>888,388</u>
EXPENSES						
Program services	358,192	-	358,192	270,253	-	270,253
Management and general	107,631	-	107,631	78,104	-	78,104
Fundraising	67,134	-	67,134	40,096	-	40,096
Total expenses	<u>532,957</u>	<u>-</u>	<u>532,957</u>	<u>388,453</u>	<u>-</u>	<u>388,453</u>
CHANGE IN NET ASSETS	(57,306)	(35,157)	(92,463)	389,554	110,381	499,935
NET ASSETS						
Beginning of year - restated	707,675	124,689	832,364	318,121	14,308	332,429
End of year	<u>\$ 650,369</u>	<u>\$ 89,532</u>	<u>\$ 739,901</u>	<u>\$ 707,675</u>	<u>\$ 124,689</u>	<u>\$ 832,364</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (92,463)	\$ 499,935
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	6,030	3,636
Changes in assets and liabilities		
Accounts receivable	35,157	(110,381)
Prepaid expenses and deposits	547	(2,597)
Accounts payable and accrued expenses	(310)	1,297
Client trust account	<u>(26,664)</u>	<u>5,567</u>
Net cash (used in) provided by operating activities	<u>(77,703)</u>	<u>397,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(14,361)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(77,703)	383,096
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>747,526</u>	<u>364,430</u>
End of year	<u>\$ 669,823</u>	<u>\$ 747,526</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1. DESCRIPTION OF THE ORGANIZATION

Uptown People's Law Center (UPLC) was incorporated in 1979 as an Illinois nonprofit corporation. UPLC is organized to establish, administer, and promote programs providing legal aid to indigent persons, assisting community residents in obtaining legal services and benefits, and educating and training community residents, paraprofessionals, and community attorneys. UPLC is dependent upon and receives its revenues from grants, contributions and fee-for-service agreements.

Because of the nature of the cases and legal representations we are involved with, the nature of our revenue stream and related cash flows is not predictable which impacts our financial results on a year-to-year basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation - In order to conform with the provisions of generally accepted accounting principles, UPLC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset.

Unrestricted - Unrestricted net assets are available to finance the general operations of the organization. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of UPLC, the environment in which it operates, and the purposes specified in its articles of incorporation.

Temporarily Restricted - Temporarily restricted net assets result from (a) contributions and other inflows of assets, the use of which is implied by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to or (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment. At June 30, 2018 and 2017, UPLC had temporarily restricted net assets due to time restrictions of \$89,531 and \$124,689 respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Permanently Restricted - Permanently restricted net assets result from (a) contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can fulfilled or otherwise removed by actions of the Board, (b) other asset enhancements and diminishment subject to the same kinds of stipulations, and (c) reclassifications from or (to) other classes or net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets at either June 30, 2018 or 2017.

Cash and Cash Equivalents - UPLC considers cash and cash equivalents to be amounts on hand and in bank demand deposit checking accounts which are subject to immediate withdrawal. Restricted cash is a result of an Interest on Lawyers Trust account held in UPLC's name. Monies held in this account are restricted for client funds and shown with a corresponding liability.

Grants and Pledges Receivable - Grants and pledges receivable represent amounts owed from various foundations and individuals as support for UPLC's programs. Unconditional receivables are recognized as revenue in the period that the promises are received. Conditional receivables are recognized when the conditions on which they depend are substantially met. UPLC considers grants and pledges receivable at June 30, 2018 and 2017 to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment - Property and equipment are recorded at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are computed by the straight-line method over the following estimated useful lives of the related assets:

Furniture and equipment	5 years
Leasehold improvements	2 years
Computer and equipment	3 years

Depreciation and amortization expense totaled \$6,030 and \$3,636 for the years ended June 30, 2018 and 2017, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses - The cost of providing various program and supporting services has been summarized on a functional basis in the statements of activities. Expenses which are directly associated with a particular program or supporting service are allocated directly to that functional category. Certain expenses such as salaries, benefits, facility costs, and administrative overhead are allocated to the various programs and supporting services benefited based on management estimates of staff time spent on specific programs.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events - Subsequent events have been evaluated through March 7, 2019, which is the date the financial statements were available to be issued.

NOTE 3. CONCENTRATION OF CASH

UPLC places its cash with financial institutions deemed to be creditworthy. Balances are insured by the FDIC and NCUA up to \$250,000 per financial institution. Although balances may at times exceed insured limits, management believes its credit risk to be minimal.

NOTE 4. TAX STATUS

UPLC has been advised by the Internal Revenue Service that it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. UPLC is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require UPLC to evaluate tax positions taken by UPLC and recognize a tax liability if UPLC has taken an uncertain position that more likely than not would not be sustained upon examination by tax authorities. UPLC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 29,093	\$ 29,093
Leasehold improvements	23,500	23,500
Computer and equipment	<u>15,636</u>	<u>15,636</u>
	68,229	68,229
Less accumulated depreciation and amortization	<u>(60,267)</u>	<u>(54,237)</u>
Net property and equipment	<u>\$ 7,962</u>	<u>\$ 13,992</u>

NOTE 6. OFFICE LEASE

UPLC leases office space on a month-to-month basis. Total rent paid for the years ended June 30, 2018 and 2017 was \$39,187 and \$37,308 respectively.

NOTE 7. PRIOR PERIOD RESTATEMENT

A prior period restatement was made as of June 30, 2017 to restate revenue to actual. The restatement had the following effect on the financial statements:

	<u>Accounts</u>	<u>Grants and</u>	<u>Program</u>	<u>Total</u>
	<u>Receivable</u>	<u>Contributions</u>	<u>Service</u>	<u>Net Assets</u>
		<u>Revenue</u>	<u>Fees</u>	
Previously reported at June 30, 2017	\$ 115,678	\$ 223,890	\$ 651,167	\$ 823,353
Adjustment	<u>9,011</u>	<u>12,500</u>	<u>(3,489)</u>	<u>9,011</u>
As restated at June 30, 2017	<u>\$ 124,689</u>	<u>\$ 236,390</u>	<u>\$ 647,678</u>	<u>\$ 832,364</u>

NOTE 8. SUBSEQUENT EVENTS

Subsequent to year end UPLC began construction on their office with estimated expenses not to exceed \$30,000. Work is expected to be completed in February 2019.

In January 2019 UPLC received approximately \$217,000 from the settlement of a legal case. Approximately \$33,000 was recorded as a receivable as of June 30, 2018 in relation to UPLC's time and expenses incurred through June 30, 2018. The remaining approximately \$184,000 was a contribution received from one of the co-counsel.

SUPPLEMENTARY INFORMATION

UPTOWN PEOPLE'S LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 233,203	\$ 73,634	\$ 52,350	\$ 125,984	\$ 359,187
Payroll taxes	17,421	5,501	3,911	9,412	26,833
Occupancy	39,442	1,303	1,303	2,606	42,048
Postage and shipping	2,123	512	1,608	2,120	4,243
Travel and meals	20,224	545	545	1,090	21,314
Office supplies and expense	5,750	3,380	1,013	4,393	10,143
Equipment rental and maintenance	1,610	189	95	284	1,894
Insurance	-	4,229	-	4,229	4,229
Professional fees	-	14,400	-	14,400	14,400
Telephone	5,497	182	182	364	5,861
Client expenses and research	23,561	-	-	-	23,561
Depreciation and amortization	5,650	190	190	380	6,030
Fundraising	-	-	5,937	5,937	5,937
Other	3,711	3,566	-	3,566	7,277
Total	<u>\$ 358,192</u>	<u>\$ 107,631</u>	<u>\$ 67,134</u>	<u>\$ 174,765</u>	<u>\$ 532,957</u>

UPTOWN PEOPLE'S LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 165,238	\$ 44,696	\$ 29,983	\$ 74,679	\$ 239,917
Payroll taxes	12,848	3,304	2,203	5,507	18,355
Occupancy	37,486	1,239	1,239	2,478	39,964
Postage and shipping	1,724	416	1,307	1,723	3,447
Travel and meals	15,310	412	412	824	16,134
Office supplies and expense	3,647	2,144	642	2,786	6,433
Equipment rental and maintenance	55	6	3	9	64
Insurance	-	4,348	-	4,348	4,348
Professional fees	-	15,789	-	15,789	15,789
Telephone	5,516	183	183	366	5,882
Client expenses and research	19,345	-	-	-	19,345
Depreciation and amortization	3,408	114	114	228	3,636
Fundraising	-	-	4,010	4,010	4,010
Other	5,676	5,453	-	5,453	11,129
Total	<u>\$ 270,253</u>	<u>\$ 78,104</u>	<u>\$ 40,096</u>	<u>\$ 118,200</u>	<u>\$ 388,453</u>