

**UPTOWN PEOPLE'S LAW CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2019

# UPTOWN PEOPLE'S LAW CENTER

## FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2019	5
Statement of Functional Expenses - 2018	6
Statements of Cash Flows	7
Notes to Financial Statements	8

**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, 2019 and 2018, and the related statements of activities, of functional expenses 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, 2019 and 2018, 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 2, during the year ended June 30, 2019, UPLC implemented new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

*Legacy Professionals LLP*

Westchester, Illinois

February 14, 2020

**UPTOWN PEOPLE'S LAW CENTER**  
**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 623,748	\$ 638,086
Client trust account - restricted	28,829	31,737
Accounts receivable	414,468	89,532
Prepaid expenses and deposits	<u>6,485</u>	<u>5,644</u>
Total current assets	1,073,530	764,999
<b>PROPERTY AND EQUIPMENT - net</b>	<u>4,937</u>	<u>7,962</u>
Total assets	<u>\$ 1,078,467</u>	<u>\$ 772,961</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 45,917	\$ 1,323
Client trust account	<u>28,829</u>	<u>31,737</u>
Total current liabilities	<u>74,746</u>	<u>33,060</u>
<b>NET ASSETS</b>		
Without donor restrictions	589,253	650,369
With donor restrictions	<u>414,468</u>	<u>89,532</u>
Total net assets	<u>1,003,721</u>	<u>739,901</u>
Total liabilities and net assets	<u>\$ 1,078,467</u>	<u>\$ 772,961</u>

See accompanying notes to the financial statements.

**UPTOWN PEOPLE'S LAW CENTER**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Grants and contributions	\$ 226,961	\$ 87,250	\$ 314,211	\$ 249,607	\$ 31,250	\$ 280,857
Program service fees	316,086	327,218	643,304	120,883	33,281	154,164
Other	4,055	-	4,055	5,473	-	5,473
Releases from restriction	89,532	(89,532)	-	99,688	(99,688)	-
Total revenue and support	636,634	324,936	961,570	475,651	(35,157)	440,494
<b>EXPENSES</b>						
Program services	504,042	-	504,042	358,192	-	358,192
Management and general	118,914	-	118,914	107,631	-	107,631
Fundraising	74,794	-	74,794	67,134	-	67,134
Total expenses	697,750	-	697,750	532,957	-	532,957
<b>CHANGE IN NET ASSETS</b>	(61,116)	324,936	263,820	(57,306)	(35,157)	(92,463)
<b>NET ASSETS</b>						
Beginning of year	650,369	89,532	739,901	707,675	124,689	832,364
End of year	\$ 589,253	\$ 414,468	\$ 1,003,721	\$ 650,369	\$ 89,532	\$ 739,901

See accompanying notes to the financial statements.

**UPTOWN PEOPLE'S LAW CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2019

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 284,954	\$ 79,620	\$ 54,476	\$ 134,096	\$ 419,050
Payroll taxes	21,037	5,878	4,022	9,900	30,937
Occupancy	55,356	1,830	1,829	3,659	59,015
Postage and shipping	2,008	484	1,522	2,006	4,014
Travel and meals	32,215	867	868	1,735	33,950
Office supplies and expense	8,970	5,273	1,580	6,853	15,823
Equipment rental and maintenance	52,271	6,134	3,067	9,201	61,472
Insurance	-	3,713	-	3,713	3,713
Professional fees	-	14,702	-	14,702	14,702
Telephone	6,634	219	220	439	7,073
Client expenses and research	34,825	-	-	-	34,825
Depreciation and amortization	5,772	194	194	388	6,160
Fundraising	-	-	7,016	7,016	7,016
Total	<u>\$ 504,042</u>	<u>\$ 118,914</u>	<u>\$ 74,794</u>	<u>\$ 193,708</u>	<u>\$ 697,750</u>

See accompanying notes to the financial statements.

**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>

See accompanying notes to the financial statements.



# UPTOWN PEOPLE'S LAW CENTER

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 263,820	\$ (92,463)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	6,160	6,030
Changes in assets and liabilities		
Accounts receivable	(324,936)	35,157
Prepaid expenses and deposits	(841)	547
Accounts payable and accrued expenses	44,594	(310)
Client trust account	<u>(2,908)</u>	<u>(26,664)</u>
Net cash (used in) operating activities	<u>(14,111)</u>	<u>(77,703)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(3,135)</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(17,246)	(77,703)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>669,823</u>	<u>747,526</u>
End of year	<u>\$ 652,577</u>	<u>\$ 669,823</u>

See accompanying notes to the financial statements.

# UPTOWN PEOPLE'S LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### 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.

**New Accounting Pronouncements** - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for UPLC's financial statements for the year ended June 30, 2019. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

**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 two classes of net assets: without donor restriction and with donor restriction. Net assets are generally reported as without donor restriction unless assets are received from donors with explicit stipulations that limit the use of the asset.

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of UPLC. The only limits on the use of net assets without donor restriction 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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (continued)**

**Net Assets with Donor Restrictions** - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. UPLC does not have any perpetual restricted net assets.

**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, 2019 and 2018 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 \$6,160 and \$6,030 for the years ended June 30, 2019 and 2018, respectively.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions** - Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered to be available without donor restrictions 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 support with donor restrictions that increases net assets with donor restrictions. When donor restrictions that are temporary in nature expire, the net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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

**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.

**Subsequent Events** - Subsequent events have been evaluated through February 14, 2020, 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 29,093	\$ 29,093
Leasehold improvements	23,500	23,500
Computer and equipment	18,772	15,636
	<u>71,365</u>	<u>68,229</u>
Less accumulated depreciation and amortization	(66,428)	(60,267)
Net property and equipment	<u>\$ 4,937</u>	<u>\$ 7,962</u>

**NOTE 6. OFFICE LEASE**

UPLC leases office space on a month-to-month basis. Total rent paid for the years ended June 30, 2019 and 2018 was \$55,966 and \$39,187 respectively.

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions due to time restrictions as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Lawyers Trust Fund Grant	\$ 8,750	\$ 8,750
Chicago Bar Foundation Grant	22,500	22,500
Harvard University Fellowship	46,000	-
Illinois Charitable Trust Grant	10,000	-
Lippert Legal Case Award	327,218	-
Morales Legal Case Award	-	25,000
Holmes Legal Case Award	-	33,282
	<u>-</u>	<u>33,282</u>
Total	<u>\$ 414,468</u>	<u>\$ 89,532</u>

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

The net assets with donor restrictions at both June 30, 2019 and 2018 are time restricted by donors. The following is a summary of net assets with donor restrictions released during the years ended June 30, 2019 and 2018 due to the release of time restrictions:

	<u>2019</u>	<u>2018</u>
Lawyers Trust Fund Grant	\$ 8,750	\$ 7,500
Chicago Bar Foundation Grant	22,500	22,500
IL Bar Foundation Grant	-	5,000
Morales Legal Case Award	25,000	-
Holmes Legal Case Award	33,282	-
Fontano Legal Case Award	-	50,000
SSA Award	-	9,632
SSA Award deemed uncollectible	-	5,056
	<u>          </u>	<u>          </u>
Total net assets released from restriction	<u>\$ 89,532</u>	<u>\$ 99,688</u>

**NOTE 8. LIQUIDITY AND AVAILABILITY OF RESOURCES**

UPLC receives significant grants and contributions restricted by donors. UPLC considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Financial assets available for general expenditure within one year at June 30, 2019 comprise the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 623,748
Accounts receivable	<u>414,469</u>
Financial assets available to meet general expenditures for the next year	<u>\$ 1,038,217</u>

**NOTE 9. SUBSEQUENT EVENTS**

In April 2019, a case involving UPLC was settled but is now being appealed. Based off past prior cases, UPLC estimates it will receive approximately \$500,000.