

UPTOWN PEOPLE'S LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2021

UPTOWN PEOPLE'S LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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 UPLC'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 UPLC'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, 2021 and 2020, 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 Matters

As discussed in Note 11, the financial statements for the year ending June 30, 2020 has been restated to correct certain misstatements. Our opinion is not modified with respect to these matters.

Legacy Professionals LLP

Westchester, Illinois

May 9, 2022

UPTOWN PEOPLE'S LAW CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,183,438	\$ 1,206,903
Client trust account - restricted	97,726	56,702
Accounts receivable	10,936	-
Grants and pledges receivable	172,917	201,944
Prepaid expenses and deposits	12,262	9,252
Property and equipment - net	<u>16,137</u>	<u>15,365</u>
Total assets	<u>\$ 1,493,416</u>	<u>\$ 1,490,166</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 116,784	\$ 75,145
Client trust account	97,726	56,702
Loans payable	<u>-</u>	<u>94,300</u>
Total liabilities	<u>214,510</u>	<u>226,147</u>
NET ASSETS		
Without donor restrictions	1,159,047	1,182,528
With donor restrictions	<u>119,859</u>	<u>81,491</u>
Total net assets	<u>1,278,906</u>	<u>1,264,019</u>
Total liabilities and net assets	<u>\$ 1,493,416</u>	<u>\$ 1,490,166</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 628,850	\$ 109,368	\$ 738,218	\$ 411,443	\$ 35,491	\$ 446,934
Other contributions - COVID relief fund	188,600	-	188,600	-	-	-
Program service fees	99,139	-	99,139	643,969	-	643,969
Special events	-	-	-	85,625	-	85,625
Donated revenue	1,754	-	1,754	-	-	-
Other	4,711	-	4,711	5,976	-	5,976
Releases from restriction	<u>71,000</u>	<u>(71,000)</u>	<u>-</u>	<u>41,250</u>	<u>(41,250)</u>	<u>-</u>
Total revenue and support	<u>994,054</u>	<u>38,368</u>	<u>1,032,422</u>	<u>1,188,263</u>	<u>(5,759)</u>	<u>1,182,504</u>
EXPENSES						
Program services	794,893	-	794,893	658,594	-	658,594
Management and general	137,495	-	137,495	153,935	-	153,935
Fundraising	<u>85,147</u>	<u>-</u>	<u>85,147</u>	<u>81,317</u>	<u>-</u>	<u>81,317</u>
Total expenses	<u>1,017,535</u>	<u>-</u>	<u>1,017,535</u>	<u>893,846</u>	<u>-</u>	<u>893,846</u>
CHANGE IN NET ASSETS	(23,481)	38,368	14,887	294,417	(5,759)	288,658
NET ASSETS						
Beginning of year - as restated	<u>1,182,528</u>	<u>81,491</u>	<u>1,264,019</u>	<u>888,111</u>	<u>87,250</u>	<u>975,361</u>
End of year	<u>\$ 1,159,047</u>	<u>\$ 119,859</u>	<u>\$ 1,278,906</u>	<u>\$ 1,182,528</u>	<u>\$ 81,491</u>	<u>\$ 1,264,019</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 558,542	\$ 80,092	\$ 51,820	\$ 131,912	\$ 690,454
Employee benefits	61,262	8,784	5,684	14,468	75,730
Payroll taxes	41,446	5,943	3,845	9,788	51,234
Occupancy	57,463	1,899	1,899	3,798	61,261
Postage and shipping	2,780	670	2,107	2,777	5,557
Travel and meals	115	3	3	6	121
Office supplies and expense	19,866	11,678	3,499	15,177	35,043
Equipment rental and maintenance	1,099	129	65	194	1,293
Insurance	-	6,430	-	6,430	6,430
Professional fees	-	21,171	-	21,171	21,171
Telephone	15,390	510	509	1,019	16,409
Client expenses and research	31,408	-	-	-	31,408
Depreciation and amortization	5,522	186	185	371	5,893
Fundraising	-	-	15,531	15,531	15,531
Total	<u>\$ 794,893</u>	<u>\$ 137,495</u>	<u>\$ 85,147</u>	<u>\$ 222,642</u>	<u>\$ 1,017,535</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 424,251	\$ 88,381	\$ 53,430	\$ 141,811	\$ 566,062
Employee benefits	56,747	11,821	7,147	18,968	75,715
Payroll taxes	31,594	6,582	3,979	10,561	42,155
Occupancy	56,740	1,875	1,875	3,750	60,490
Postage and shipping	2,541	612	1,926	2,538	5,079
Travel and meals	11,006	297	296	593	11,599
Office supplies and expense	16,488	9,692	2,904	12,596	29,084
Equipment rental and maintenance	864	101	51	152	1,016
Insurance	-	4,122	-	4,122	4,122
Professional fees	-	30,007	-	30,007	30,007
Telephone	9,007	298	298	596	9,603
Client expenses and research	44,956	-	-	-	44,956
Depreciation and amortization	4,400	147	148	295	4,695
Fundraising	-	-	9,263	9,263	9,263
Total	<u>\$ 658,594</u>	<u>\$ 153,935</u>	<u>\$ 81,317</u>	<u>\$ 235,252</u>	<u>\$ 893,846</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,887	\$ 288,658
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	5,893	4,695
Changes in assets and liabilities		
Accounts receivable	(10,936)	327,218
Grants and pledges receivable	29,027	(114,694)
Prepaid expenses and deposits	(3,010)	(2,767)
Accounts payable and accrued expenses	41,639	868
Client trust account	<u>41,024</u>	<u>27,873</u>
Net cash provided by operating activities	<u>118,524</u>	<u>531,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(6,665)</u>	<u>(15,123)</u>
Net cash (used in) investing activities	<u>(6,665)</u>	<u>(15,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (forgiveness) from loan	<u>(94,300)</u>	<u>94,300</u>
Net cash provided by (used in) financing activities	<u>(94,300)</u>	<u>94,300</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,559	611,028
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,263,605</u>	<u>652,577</u>
End of year	<u>\$ 1,281,164</u>	<u>\$ 1,263,605</u>

See accompanying notes to the financial statements.

UPTOWN PEOPLE'S LAW CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounts Receivable - Accounts receivable consists primarily of amounts due from cases won by UPLC. Accounts receivable are stated at their unpaid balances. UPLC considers all accounts to be fully collectible at June 30, 2021. If an account becomes uncollectible, management writes off the account directly to bad debt expense.

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, 2021 and 2020 to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If an account becomes uncollectible, management writes off the account directly to bad debt expense.

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 \$5,893 and \$4,695 for the years ended June 30, 2021 and 2020, respectively.

Revenue Recognition - UPLC receives a significant portion of its operating revenue from legal fees, social security administration (SSA) case fees and special events.

Legal Fees - UPLC provides legal aid to indigent persons and community residents. When a settlement fee is awarded, UPLC receives a portion of the settlement to help cover their 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 their social security benefits. In the event that UPLC wins the case and the client is entitled to benefits, UPLC receives 25% of any back pay; not to exceed \$6,000 per case. Revenue is recognized when payment is received.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Special Events - During the year ending June 30, 2020, UPLC held a reception for its 40th anniversary. Revenue was received at rates which vary with the type of sponsorship. Revenue received from the reception was recognized when the event was held. No special event was held during the year ending June 30, 2021.

UPLC carries out its purpose as described in Note 1 within a jurisdiction primarily located in the Chicago Metropolitan Area.

Grants and 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.

Other contributions - During the years ending June 30, 2021 and 2020, UPLC was granted two loans of \$94,300 each under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loans are uncollateralized and fully guaranteed by the Federal government. UPLC initially recorded the first loan as a loan payable at June 30, 2020, and subsequently recognized as revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The second loan was also initially recognized as a loan payable until the right of return no longer existed which occurred during the year ended June 30, 2021. As of June 30, 2021, \$188,600 is recognized as revenue.

Advertising - Advertising expenses are expensed as incurred. Advertising expenses were \$38,380 and \$15,454 for the years ended June 30, 2021 and 2020 respectively.

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.

Subsequent Events - Subsequent events have been evaluated through May 9, 2022, 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, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 29,093	\$ 29,093
Leasehold improvements	23,500	23,500
Computer and equipment	35,644	24,555
Work in progress	<u>-</u>	<u>8,065</u>
	88,237	85,213
Less accumulated depreciation and amortization	<u>(72,100)</u>	<u>(69,848)</u>
Net property and equipment	<u>\$ 16,137</u>	<u>\$ 15,365</u>

NOTE 6. OFFICE LEASE

UPLC leases office space on a month-to-month basis. Total rent paid for the years ended June 30, 2021 and 2020 was \$57,048 and \$56,796 respectively.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Restricted for time	\$ 82,500	\$ 10,000
Restricted for purpose:		
Communications intern	10,491	10,491
Fellowship grants	21,368	61,000
Technology upgrade	500	-
Prisoner release	<u>5,000</u>	<u>-</u>
Total	<u>\$ 119,859</u>	<u>\$ 81,491</u>

The following is a summary of net assets with donor restrictions released during the years ended June 30, 2021 and 2020 due to the release of time restrictions:

	<u>2021</u>	<u>2020</u>
Fellowship Grants	\$ 61,000	\$ -
Time restricted	<u>10,000</u>	<u>41,250</u>
Total net assets released from restriction	<u>\$ 71,000</u>	<u>\$ 41,250</u>

NOTE 8. 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 make a contribution of 2% of eligible employees' compensation. Employer contributions to the 408(p) plan were \$16,007 and \$10,582 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9. LIQUIDITY AND AVAILABILITY OF RESOURCES

UPLC receives significant grants and contributions restricted by donors. In addition, UPLC receives program service fees without donor restriction. UPLC considers contributions restricted for programs and program service fees to be ongoing, major, and central to its annual operations and available to meet cash needs for general expenditures.

The following summarizes financial assets available for general expenditure within one year at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,183,438	\$ 1,206,903
Accounts receivable	10,936	-
Grants and pledges receivable	<u>172,917</u>	<u>201,944</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,367,291</u>	<u>\$ 1,408,847</u>

UPLC regularly monitors liquidity required to meet their operating needs and any contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, UPLC considers all expenditures primarily related to providing legal aid, as well as the conduct of services undertaken to support those activities, to be general expenditures.

UPLC strives to maintain adequate liquidity levels for the year. As part of their liquidity management, UPLC focuses its efforts on raising unrestricted funds and controlling the time of their expenses. UPLC expects to receive legal fees, SSA case fees, and grants and contributions each year, which are available to meet annual cash needs for general expenditures.

NOTE 10. RELATED PARTY TRANSACTIONS

UPLC recorded contributions from members of the Board of Directors of approximately \$27,450 and \$39,900 for the years ending June 30, 2021 and 2020, respectively, which are included in contributions in the accompanying statement of activities and changes in net assets.

NOTE 11. PRIOR PERIOD ADJUSTMENT

At July 1, 2020, UPLC understated grants and pledges receivable. This error resulted in the understatement of previously reported net assets as of July 1, 2020. The resulting change to net assets as of July 1, 2020 are reflected in the current financial statements. They are also summarized here as follows:

	Net Assets Without Donor <u>Restrictions</u>	Nets Assets With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
As previously reported at June 30, 2020	\$ 1,044,825	\$ 71,000	\$ 1,115,825
Understatement of grants and pledges receivable	<u>137,703</u>	<u>10,491</u>	<u>148,194</u>
As restated at June 30, 2020	<u>\$ 1,182,528</u>	<u>\$ 81,491</u>	<u>\$ 1,264,019</u>

NOTE 12. COVID-19 IMPACT AND NEWLY ENACTED LEGISLATION

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen, which may negatively impact UPLC's operations and financial condition.

Several major legislative relief packages were enacted in response to the coronavirus outbreak, containing numerous tax, emergency funding and other regulatory provisions. UPLC continues to evaluate the impact of newly enacted legislation on its operations and cash flows.

NOTE 13. SUBSEQUENT EVENT

In April 2019, a case involving UPLC was settled but was still being appealed during the year ended June 30, 2021. In 2022, the appeal case was lost and UPLC will not receive the estimated \$500,000 in fees.

In December 2021, a case involving UPLC was settled but is not final. Based off past prior cases, UPLC estimates it will receive approximately \$400,000.