

LAWYERS ALLIANCE FOR NEW YORK

**Financial Statements
for years ended
June 30, 2023
and
June 30, 2022**

Independent Auditor's Report

To the Board of Directors of
Lawyers Alliance for New York

Opinion

We have audited the accompanying financial statements of Lawyers Alliance for New York ("Lawyers Alliance"), which comprise the statement of financial position as of June 30, 2023 and June 30, 2022 and the related statements of activities, functional expenses and cash flows for the years 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 Lawyers Alliance as of June 30, 2023 and June 30, 2022 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.

Basis for Opinion

We conducted our audits 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 Lawyers Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Lawyers Alliance has changed its method of accounting for operating leases as of July 1, 2022 due to the adoption of ASU 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to that matter.

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 Lawyers Alliance'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Lawyers Alliance'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 Lawyers Alliance'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.

Carole O'Leary Sullivan & Donnelly LLP

November 22, 2023

LAWYERS ALLIANCE FOR NEW YORK

Statement of Financial Position

	June 30	
	2023	2022
Assets		
Current assets		
Cash and money market funds	\$ 2,978,953	\$ 2,980,241
Investments, at fair value	5,079,959	4,957,711
Accounts receivable	24,640	3,216
Grants and contributions receivable, net	561,950	1,237,250
Prepaid expenses and publication inventory	<u>56,397</u>	<u>55,243</u>
Total current assets	<u>8,701,899</u>	<u>9,233,661</u>
Grants and contributions receivable, net of current portion	253,500	369,200
Cash and money market funds restricted for special projects	81,967	81,967
Certificate of deposit restricted for lease	64,800	64,800
Property and equipment, at cost, net	200,469	259,009
Right-of-use asset – operating lease, net	<u>2,691,573</u>	<u>-</u>
Total assets	<u>\$ 11,994,208</u>	<u>\$ 10,008,637</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 32,718	\$ 50,807
Accrued expenses	262,079	249,192
Term endowment	1,000,000	1,000,000
Current portion of operating lease payable	<u>466,361</u>	<u>-</u>
Total current liabilities	1,761,158	1,299,999
Operating lease payable, net	2,225,212	-
Special projects liability	<u>81,967</u>	<u>81,967</u>
Total liabilities	<u>4,068,337</u>	<u>1,381,966</u>
Net assets		
Without donor restrictions		
Operating fund	3,284,006	3,209,702
Board-designated	1,500,000	1,500,000
With donor restrictions	<u>3,141,865</u>	<u>3,916,969</u>
Total net assets	<u>7,925,871</u>	<u>8,626,671</u>
Total liabilities and net assets	<u>\$ 11,994,208</u>	<u>\$ 10,008,637</u>

See notes to financial statements.

LAWYERS ALLIANCE FOR NEW YORK

**Statement of Activities
For Year Ended June 30, 2023
and June 30, 2022**

	2023		2022	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Public support and revenues				
Public support				
Contributions (individual, law firms, corporations, fellowship)	\$ 1,062,590	23,848	\$ 1,086,438	\$ 1,136,865
50 th Anniversary	71,150	-	71,150	43,500
Grants	179,500	440,000	619,500	800,000
Government grant - PPP	-	-	-	-
Employee retention credits	112,744	-	112,744	-
Special events, net of expenses of \$183,640 in 2023 and \$134,415 in 2022	584,790	15,000	599,790	-
Contributed non-financial assets	224,000	-	224,000	-
Net assets released from restrictions	1,253,952	(1,253,952)	-	(977,823)
Total public support	<u>3,488,726</u>	<u>(775,104)</u>	<u>2,713,622</u>	<u>(94,371)</u>
Revenues				
Contracts	90,989	-	90,989	48,932
Legal fees	217,732	-	217,732	179,939
Educational programs and other	66,277	-	66,277	21,159
Investment return, net-operating	217,850	-	217,850	-
Total revenues	<u>592,848</u>	<u>-</u>	<u>592,848</u>	<u>-</u>
Total public support and revenues	<u>4,081,574</u>	<u>(775,104)</u>	<u>3,306,470</u>	<u>(94,371)</u>
Expenses				
Program services	<u>3,056,847</u>	<u>-</u>	<u>3,056,847</u>	<u>2,765,891</u>
Supporting activities				
Management	443,708	-	443,708	446,745
Fundraising	532,306	-	532,306	525,062
Total expenses	<u>4,032,861</u>	<u>-</u>	<u>4,032,861</u>	<u>3,737,698</u>
Increase (decrease) in net assets before investment return, net – non-operating	48,713	(775,104)	(726,391)	(94,371)
Investment return, net-non-operating	<u>25,591</u>	<u>-</u>	<u>25,591</u>	<u>(770,264)</u>
Increase (decrease) in net assets	<u>74,304</u>	<u>(775,104)</u>	<u>(700,800)</u>	<u>(94,371)</u>
Net assets, beginning of year	<u>4,709,702</u>	<u>3,916,969</u>	<u>8,626,671</u>	<u>4,011,340</u>
Net assets, end of year	<u>\$ 4,784,006</u>	<u>\$ 3,141,865</u>	<u>\$ 7,925,871</u>	<u>\$ 3,916,969</u>

See notes to financial statements.

LAWYERS ALLIANCE FOR NEW YORK
Statement of Functional Expenses
For Year Ended June 30, 2023
and June 30, 2022

	2023			2022				
	Program Services	Supporting Management	Activities Fundraising	Total	Program Services	Supporting Management	Activities Fundraising	Total
Salaries	\$ 1,751,913	\$ 249,951	\$ 298,912	\$ 2,300,776	\$ 1,638,122	\$ 215,688	\$ 315,131	\$ 2,168,941
Employee benefits and payroll taxes	<u>430,075</u>	<u>61,360</u>	<u>73,380</u>	<u>564,815</u>	<u>339,840</u>	<u>44,746</u>	<u>65,376</u>	<u>449,962</u>
Total salaries and related expenses	2,181,988	311,311	372,292	2,865,591	1,977,962	260,434	380,507	2,618,903
Rent, utilities and facilities	374,477	60,726	70,847	506,050	352,321	55,067	68,124	475,512
Equipment, telephone, audiovisual, internet, and repairs	46,311	7,480	8,791	62,582	44,179	6,905	8,542	59,626
Professional, accounting and contract services	310,419	50,139	58,928	419,486	254,735	109,290	45,958	409,983
Community outreach and marketing	44,401	-	4,933	49,334	29,818	-	3,313	33,131
Seminars and staff development	9,469	-	-	9,469	8,336	-	-	8,336
Office and operating expenses	43,677	7,055	8,291	59,023	48,781	7,624	9,432	65,837
Depreciation and loss on disposal of assets	43,319	6,997	8,224	58,540	47,507	7,425	9,186	64,118
Education programs and miscellaneous	2,786	-	-	2,786	2,252	-	-	2,252
Special event	-	-	183,640	183,640	-	-	134,415	134,415
Total expenses by function	3,056,847	443,708	715,946	4,216,501	2,765,891	446,745	659,477	3,872,113
Less: direct expenses of special events net with revenue on the statement of activities	-	-	183,640	183,640	-	-	134,415	134,415
Total	<u>\$ 3,056,847</u>	<u>\$ 443,708</u>	<u>\$ 532,306</u>	<u>\$ 4,032,861</u>	<u>\$ 2,765,891</u>	<u>\$ 446,745</u>	<u>\$ 525,062</u>	<u>\$ 3,737,698</u>

See notes to financial statements.

LAWYERS ALLIANCE FOR NEW YORK

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (700,800)	\$ (189,545)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities		
Depreciation	58,540	64,118
Net realized and unrealized (gain) loss on investments	(68,713)	695,034
Forgiveness of deferred grant – “PPP”	-	(440,655)
Amortization of right-of-use asset – operating lease	454,986	-
(Increase) decrease in assets		
Accounts receivable	(21,424)	8,920
Grants and contributions receivable, net	791,000	456,916
Prepaid expenses and publication inventory	(1,154)	17,525
Increase (decrease) in liabilities		
Accounts payable	(18,089)	8,290
Accrued expenses	12,887	2,524
Special projects liability	-	3
Payments on operating lease obligation	(454,986)	-
Net cash provided by operating activities	<u>52,247</u>	<u>623,130</u>
Cash flows from investing activities		
Proceeds from the sale of investments	121,193	44,994
Purchases of investments	(174,728)	(154,446)
Net cash (used in) investing activities	<u>(53,535)</u>	<u>(109,452)</u>
Increase (decrease) in cash and money market funds	(1,288)	513,678
Cash and money market funds, beginning of year	<u>3,127,008</u>	<u>2,613,330</u>
Cash and money market funds, end of year	<u>\$3,125,720</u>	<u>3,127,008</u>
Cash and money market funds consist of:		
Operating	\$2,978,953	\$2,980,241
Restricted for special projects	81,967	81,967
Certificate of deposit restricted for lease	64,800	64,800
Total	<u>\$3,125,720</u>	<u>\$3,127,008</u>

See notes to financial statements.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements June 30, 2023 and June 30, 2022

Note 1 – Organization and summary of significant accounting policies

Organization

Lawyers Alliance for New York (“Lawyers Alliance”) is a nonprofit corporation founded in 1969 and incorporated in 1984. Lawyers Alliance for New York is the leading provider of business and transactional legal services for nonprofit organizations and social enterprises that are improving the quality of life in New York City neighborhoods. Our network of pro bono lawyers from law firms and corporations and staff of experienced attorneys collaborate to deliver expert corporate, tax, real estate, employment, intellectual property, and other legal services to community organizations. By connecting lawyers, nonprofits, and communities, Lawyers Alliance for New York helps organizations to provide housing, stimulate economic opportunity, improve urban health and education, promote community arts, and operate and advocate for vital programs that benefit low-income New Yorkers of all ages.

During the fiscal year ended June 30, 2023, Lawyers Alliance’s staff of 23 and more than 2,200 volunteers served 717 clients on 1,418 different legal matters and hundreds of nonprofits and attorneys through more than approximately 1,100 brief consultations. In addition, Lawyers Alliance provided a range of educational opportunities for nonprofit Board members and managers, including webinars, pro bono clinics, printed publications, and online legal alerts.

Lawyers Alliance began a special major fundraising campaign in the fiscal year ending June 30, 2019 in recognition of its 50th anniversary milestone, which continued through the fiscal year ending June 30, 2023. Donors made one-time gifts or multi-year pledges. Funds raised are reflected under “50th Anniversary” in the statement of activities and included in grants and contributions receivable in the statement of financial position. The total amount of each campaign gift was recognized as revenue in the fiscal year that Lawyers Alliance received it, although a substantial amount was restricted for use in future years, and is being released over time to cover expenses as needed. Of the total campaign revenues received during the fiscal year ending June 30, 2023, Lawyers Alliance received \$71,150 without restriction, there were no new restricted gifts, and (as indicated in Note 5) released \$280,000 from restrictions. This campaign supports ongoing and enhanced programs, capital upgrades, endowment and investment reserves.

Financial reporting

Lawyers Alliance maintains two classes of net assets, net assets without donor restrictions and net assets with donor restrictions, which consist of the following:

Net assets without donor restrictions

Operating fund – net assets without donor restrictions are used to account for the general activities of Lawyers Alliance.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 1 – Organization and summary of significant accounting policies (continued)

Financial reporting (continued)

Board-designated fund – During and following the 2003 fiscal year, the Board designated that the proceeds from the sale of certain of Lawyers Alliance’s property and other assets be set aside in a Board-designated fund. The purpose of the fund is to help offset any operating deficits or unbudgeted expenditures, enable Lawyers Alliance to undertake projects not otherwise provided for by Lawyers Alliance’s regular revenue generating activities, support established program priorities, and support such other programs and activities as approved by the Board. These funds are part of net assets without donor restrictions and can be used by the Board, at its discretion.

As of June 30, 2023 and June 30, 2022, the amount of Board-designated funds totaled \$1,500,000 as reflected in the table on below.

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Board-designated	\$ 1,500,000	\$ -	\$ 1,500,000

Net assets with donor restrictions

Temporary donor restrictions

Net assets with temporary donor restrictions consist of grants and contributions that are restricted by the donor for a specific purpose or pertain to future periods. Once that specific purpose has been met or the time restriction expires, the funds are released from their restriction.

Perpetual donor restrictions

Net assets with perpetual donor restrictions consist of contributions that are restricted by the donors in that the principal must remain in perpetuity, but the investment return earned on such funds may be spent in accordance with the donor’s terms.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain common costs have been allocated among the program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022

Note 1 – Organization and summary of significant accounting policies (continued)

Investments

Lawyers Alliance reports investments at fair value in the statement of financial position. At June 30, 2023 and June 30, 2022, investments consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds				
Equity	\$ 495,394	\$1,019,643	\$ 248,095	\$ 639,127
Fixed income	3,063,352	2,476,905	3,300,054	2,826,073
Diversified	<u>1,734,570</u>	<u>1,583,411</u>	<u>1,648,510</u>	<u>1,492,511</u>
Total mutual funds	<u>\$5,293,316</u>	<u>\$5,079,959</u>	<u>\$5,196,659</u>	<u>\$4,957,711</u>

Investment return, net consists of the following for the years ended June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 174,728	\$ 149,442
Change in unrealized and realized gain on investments	<u>68,713</u>	<u>(695,034)</u>
Total	<u>\$ 243,441</u>	<u>\$ (545,592)</u>
Consists of:		
Operating	\$ 217,850	\$ 224,672
Non-operating	<u>25,591</u>	<u>(770,264)</u>
Total	<u>\$ 243,441</u>	<u>\$ (545,592)</u>

The mutual funds' management fees and operating expenses are reflected as a deduction of investment return for such investments.

Fair value measurements

Accounting principles generally accepted in the United States of America established a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels. Lawyers Alliance's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Allowance for doubtful accounts

Lawyers Alliance considers all accounts, grants and contributions receivable to be collectible and, accordingly, does not have an allowance for doubtful accounts. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 1 – Organization and summary of significant accounting policies (continued)

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market. Inventory is periodically reviewed for obsolescence.

Property and equipment

Leasehold improvements, furniture and equipment and software are recorded at cost. Expenditures for such assets in excess of a nominal amount with an estimated useful life of greater than one year are capitalized. Depreciation of furniture and equipment and software has been provided in the financial statements utilizing the straight-line method over the estimated useful lives of the assets. Leasehold improvements are being depreciated over either their estimated useful life or the life of the lease, whichever is shorter.

Property and equipment consists of the following as of June 30, 2023 and June 30, 2022:

	2023	2022
Leasehold improvements	\$ 288,433	\$ 288,433
Furniture and equipment	228,138	228,138
Software	96,138	96,138
Sub-total	612,709	612,709
Less: accumulated depreciation	412,240	353,700
Net property and equipment	\$ 200,469	\$ 259,009

Grants, contributions and net assets released from restrictions

Lawyers Alliance reports grants and contributions as public support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated 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 restrictions.

Net assets that were released from donor restrictions by incurring expenses that satisfied the restricted purposes or by occurrence of other events specified by donors during the 2023 fiscal year totaled \$1,253,952 and were utilized for the general programs of Lawyers Alliance as described in note 1 to the financial statements.

Contributed nonfinancial assets

Lawyers Alliance recognizes contributed nonfinancial assets within public support and revenue. Unless otherwise noted, the contributed nonfinancial assets do not have donor-imposed restrictions.

Contributed goods consist of donated space for a volunteer appreciation event and are valued and reported based on the estimated amount of the donated facility fee. Contributed services are composed of: legal fees from pro bono attorneys on administrative issues and for a translation project, professional fees from a pro bono investment advisor, and staffing expense for attorneys who volunteer as part of our legal staff. Contributed services are valued and reported at the estimated fair value based on current rates for similar professional services or staffing services.

LAWYERS ALLIANCE FOR NEW YORK**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 1 – Organization and summary of significant accounting policies (continued)**Concentrations of credit risk

Lawyers Alliance’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash, money market funds, investments and accounts, grants and contributions receivable. Lawyers Alliance places its cash and money market funds with what it believes to be quality financial institutions. At times the balance in Lawyers Alliance’s cash accounts exceeded the FDIC insurance limit; however, Lawyers Alliance has not experienced any losses in such accounts to date. Lawyers Alliance’s investments are exposed to various risks such as interest rate, market volatility, liquidity and credit risks. The collectability of accounts, grants and contributions receivable from various organizations is reviewed on an ongoing basis. Lawyers Alliance believes no material concentrations of credit risk exist with respect to its cash, money market funds, investments and accounts, grants and contributions receivable.

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, such as the collectability of accounts receivable and estimates of accrued expenses that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

New accounting pronouncementAdoption of FASB ASC 842, *Leases*

Effective July 1, 2022, Lawyers Alliance adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (“ROU”) model that requires a lessee to record an ROU asset, which represents the right to use a respective asset for the lease term, and a lease liability on the statement of financial position at the present value of future payments due under the lease. Upon adoption of FASB ASC 842, Lawyers Alliance recognized ROU assets and operating lease liabilities of \$3,433,977. Lawyers Alliance has elected to use a risk-free rate at the lease commencement dates to discount its office leases to their net present value. Lawyers Alliance’s reporting for the comparative period presented in the financial statements is in accordance with previous lease accounting standards. The implementation of the standard did not have an impact on the Lawyers Alliance’s operating results and cash flows. Lawyers Alliance has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

Subsequent events

Lawyers Alliance has evaluated events and transactions for potential recognition or disclosure through November 22, 2023, which is the date the financial statements were available to be issued.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022

Note 2 – Liquidity and availability of financial assets

Lawyers Alliance’s working capital and cash flows have seasonal variations during the year attributable to cash receipts from contributions, special events and other items.

The following is a summary of Lawyers Alliance’s financial assets as of June 30, 2023 that are available for general use within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 2,978,953	\$ 2,980,241
Investments, at fair value	5,079,959	4,957,711
Accounts receivable	24,640	3,216
Grants and contributions receivable expected to be collected in one year, net	<u>561,950</u>	<u>1,237,250</u>
Sub-total	8,645,502	9,178,418
Less: Assets with perpetual donor restrictions	<u>(1,191,101)</u>	<u>(1,191,101)</u>
Total	<u>\$ 7,454,401</u>	<u>\$ 7,987,317</u>

Note 3 – Grants and contributions receivable, net

Grants and contributions receivable, net consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
50 th Anniversary	\$ 111,500	\$ 488,950
Law firm appeal	130,000	305,000
Foundations	425,000	607,500
Swing	10,000	100,000
Gala	101,500	85,000
Individual	<u>37,450</u>	<u>20,000</u>
Total	<u>815,450</u>	<u>1,606,450</u>
Due within one year	561,950	1,237,250
Due within two to five years	<u>253,500</u>	<u>369,200</u>
Total	<u>\$ 815,450</u>	<u>\$1,606,450</u>

Note 4 – Special projects

Lawyers Alliance has entered into agreements to administer funds for certain special projects with the funds being provided by separate organizations. These transactions are being treated by Lawyers Alliance as agency transactions and, accordingly, any excess of funds received over disbursements are reflected as an asset and liability on Lawyers Alliance’s statement of financial position. At June 30, 2023 and June 30, 2022, the balance of such funds totaled \$81,967.

LAWYERS ALLIANCE FOR NEW YORK**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 5 – Endowments**

Effective September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Lawyers Alliance's endowment consists of funds established for a variety of purposes. Lawyers Alliance acts prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so, to consider a number of factors, including the duration and preservation of its donor-restricted endowment funds. Lawyers Alliance classifies net assets with perpetual restrictions at the original value of gifts donated to the perpetual endowment. The portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets without donor restrictions or net assets with temporary donor restrictions based on donor stipulations.

Lawyers Alliance considers the following eight factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the institution and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the institution
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on Lawyers Alliance.
- (8) The investment policies of Lawyers Alliance

Funds with deficiencies

There were no perpetual endowment fund deficiencies as of June 30, 2023.

Investment policy

Lawyers Alliance's investment policy and objectives, in order of priority, for the year ended June 30, 2023 were:

- (1) To preserve the inflation-adjusted principal of the fund.
- (2) To generate an annual yield, in the form of appreciated principal value, interest and dividends, to provide funds to enable Lawyers Alliance to fund projects, programs and other aspects of its operation to the extent funding is not otherwise available from Lawyers Alliance's regular fundraising and other revenue generating activities, as approved by the Board from time to time.
- (3) To achieve modest growth of principal in excess of inflation.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 5 – Endowments (continued)

Net assets with temporary donor restrictions

The transactions and components of net assets with temporary donor restrictions for the year ended June 30, 2023, were as follows:

	<u>Balance</u> June 30, 2022	<u>Additions</u>	<u>Less: Net Assets</u> <u>Released from</u> <u>Restrictions</u>	<u>Balance</u> June 30, 2023
Program services				
Foundations	\$ 895,000	\$ 440,000	\$ 672,500	\$ 662,500
50 th Anniversary Campaign	1,447,916	-	280,000	1,167,916
Law firm, swing and individual contributions	377,952	23,848	296,452	105,348
Special event	5,000	15,000	5,000	15,000
Total	<u>\$ 2,725,868</u>	<u>\$ 478,848</u>	<u>\$ 1,253,952</u>	<u>\$ 1,950,764</u>

Net assets with perpetual donor restrictions

Net assets with perpetual donor restrictions as of June 30, 2023 and June 30, 2022, consist of the following:

	<u>Balance</u> June 30, 2022	<u>Additions</u>	<u>Balance</u> June 30, 2023
Law firms	\$ 856,000	\$ -	\$ 856,000
Foundations	300,000	-	300,000
50 th Anniversary Campaign	14,600	-	14,600
Individuals	20,501	-	20,501
Total	<u>\$ 1,191,101</u>	<u>-</u>	<u>\$ 1,191,101</u>

Note 6 – Term endowment

During July 2014, Lawyers Alliance received \$500,000 under the terms of a Term Endowment Agreement (the "Agreement"). The Agreement initially established an endowment in support of Lawyers Alliance's programs for a period of five years through July 1, 2019, during August 2019, the agreement was extended for an additional five years until July 2, 2024. The Agreement allows Lawyers Alliance to spend the income earned on these funds for its programs; however, the principal shall not be invaded. The donor may reassign the funds upon the expiration of the five-year term as extended, or earlier as outlined in the Agreement; in addition, the donor reserves the right to reassign the funds to any qualified charitable institution, without the consent of Lawyers Alliance, upon thirty days written notice. In the event the funds received under this Agreement are reassigned by the donor, the amount reassigned shall be equal to the lesser of (i) the principal amount, or (ii) the market value of the term endowment at the time the funds are reassigned. During both July 2018 and July 2017, Lawyers Alliance received additional \$200,000 payments under the Agreement. During July 2020, Lawyers Alliance received an additional \$100,000 payment under the Agreement for a total of \$1,000,000 in principal as of June 30, 2023. Lawyers Alliance did not withdraw during the fiscal year ending June 30, 2023 because the market value was less than the \$1,000,000 on June 30, 2023 due to investment market fluctuations.

LAWYERS ALLIANCE FOR NEW YORK

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 7 – Commitments

On March 6, 2019, Lawyers Alliance amended the agreement to lease office space at 171 Madison Avenue, commencing July 1, 2019 and expiring June 30, 2029 at an initial base rent of \$422,500 increasing to \$527,645 during the final year of the lease exclusive of electricity and certain increases in operating costs of the landlord as outlined in the agreement. As security for the lease, Lawyers Alliance obtained an irrevocable standby letter of credit from a bank in the amount of \$64,800. Lawyers Alliance granted the bank a security interest in a \$64,800 certificate of deposit as collateral.

The following are the required annual payments under the lease agreement (exclusive of certain increases in operating costs of the landlord):

<u>Fiscal year</u>	<u>Amount</u>
2024	\$ 466,361
2025	478,020
2026	489,970
2027	502,220
2028	514,775
2029	<u>527,645</u>
Total	2,978,991
Less: present value discount (2.88%)	<u>287,418</u>
Total operating lease liability	2,691,573
Less: current portion	<u>466,361</u>
Long-term portion	<u>\$ 2,225,212</u>

Note 8 – Retirement plans

Lawyers Alliance maintains a 403(b) retirement plan for all eligible employees. Eligible employees may contribute a portion of their salary in accordance with Internal Revenue Code limitations. Depending on years of service, Lawyers Alliance will contribute either 3% or 5% of an employee's compensation to the Plan whether or not they contribute to the Plan. Such contributions are immediately vested 100% for the benefit of the employee. Plan expenses for the 2023 and 2022 fiscal years totaled \$68,616 and \$69,381, respectively.

In addition, Lawyers Alliance also maintains a 457 (b) retirement plan for management employees. Management employees may contribute a portion of their salary in accordance with Internal Revenue Code limitations. Lawyers Alliance does not contribute to the 457(b) Plan.

Note 9 – Federal stimulus

Deferred grant – (Paycheck Protection Program)

During February 2021, Lawyers Alliance applied for and obtained a \$440,655 loan from the Small Business Administration (“SBA”) under the Consolidated Appropriations Act of 2021 2nd round of the Paycheck Protection Program (“PPP”) loans. Lawyers Alliance recorded the proceeds as a liability until the loan was forgiven and Lawyers Alliance was legally released from having to repay. In December 2021, the entire proceeds of the loan were approved for forgiveness.

LAWYERS ALLIANCE FOR NEW YORK**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 9 – Federal stimulus (continued)****Employee retention credits**

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act provided, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, the Consolidated Appropriations Act increased the payroll tax credit from 50% to 70% of up to \$10,000 of qualified wages per quarter per employee for eligible employers. Subsequent legislations ultimately terminated the employee retention credit as of September 30, 2021. In connection therewith, Lawyers Alliance received credits during June 30, 2023 and June 30, 2022 totaling \$112,744 and \$447,606, respectively, which were recorded as revenue on the statement of activities.

Note 10 – Tax status

Lawyers Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, Lawyers Alliance has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Sections 509(a)(1) and 170(b)(1)(a)(vi) of the Code.