

Access Justice Brooklyn, Inc.

Financial Statements
December 31, 2022 and 2021

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Access Justice Brooklyn, Inc.

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Independent Auditors' Report

**To the Board of Directors
Access Justice Brooklyn, Inc.**

Opinion

We have audited the accompanying financial statements of Access Justice Brooklyn, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 Access Justice Brooklyn, Inc. as of December 31, 2022 and 2021, 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.

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 Access Justice Brooklyn, Inc. 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.

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 Access Justice Brooklyn, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Access Justice Brooklyn, Inc.'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 Access Justice Brooklyn, Inc.'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.

Mazars USA LLP

November 10, 2023

Access Justice Brooklyn, Inc.

Statements of Financial Position December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 451,181	\$ 733,195
New York State funding receivable	265,663	194,994
Contributions receivable	168,997	197,500
Prepaid expenses	31,565	26,672
Investments, at fair value	800,111	994,362
Security deposit	31,412	31,412
Right of use asset	369,853	-
Property and equipment, net	87,957	123,367
	<hr/>	<hr/>
Total assets	\$ 2,206,739	\$ 2,301,502
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 70,815	\$ 41,402
Refundable advances	90,000	26,033
Lease liability	380,542	-
Deferred rent	-	7,609
	<hr/>	<hr/>
Total liabilities	541,357	75,044
	<hr/>	<hr/>
Net assets		
Without donor restrictions	1,497,495	1,926,958
With donor restrictions	167,887	299,500
	<hr/>	<hr/>
Total net assets	1,665,382	2,226,458
	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,206,739	\$ 2,301,502
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The accompanying notes are an integral part of these financial statements.

Access Justice Brooklyn, Inc.

Statements of Activities Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Public support:						
New York State funding	\$ 1,059,437	\$ -	\$ 1,059,437	\$ 945,827	\$ -	\$ 945,827
Contributions and grants	203,213	10,000	213,213	206,808	256,833	463,641
Forgiveness of PPP Loan	-	-	-	172,905	-	172,905
Donated services	2,541,040	-	2,541,040	2,728,558	-	2,728,558
Special events, net of direct costs of \$171,470 and \$38,348, respectively	358,371	-	358,371	194,684	-	194,684
Investment (loss) income	(121,743)	(6,963)	(128,706)	188,555	5,060	193,615
Other income	-	-	-	10,847	-	10,847
Net assets released from restrictions	134,650	(134,650)	-	9,167	(9,167)	-
Total revenue and support	<u>4,174,968</u>	<u>(131,613)</u>	<u>4,043,355</u>	<u>4,457,351</u>	<u>252,726</u>	<u>4,710,077</u>
Expenses						
Program	3,941,912	-	3,941,912	4,130,434	-	4,130,434
General and administrative	160,611	-	160,611	117,943	-	117,943
Fundraising	501,908	-	501,908	288,182	-	288,182
Total expenses	<u>4,604,431</u>	<u>-</u>	<u>4,604,431</u>	<u>4,536,559</u>	<u>-</u>	<u>4,536,559</u>
Change in net assets	(429,463)	(131,613)	(561,076)	(79,208)	252,726	173,518
Net assets - beginning of year	<u>1,926,958</u>	<u>299,500</u>	<u>2,226,458</u>	<u>2,006,166</u>	<u>46,774</u>	<u>2,052,940</u>
Net assets - end of year	<u>\$ 1,497,495</u>	<u>\$ 167,887</u>	<u>\$ 1,665,382</u>	<u>\$ 1,926,958</u>	<u>\$ 299,500</u>	<u>\$ 2,226,458</u>

The accompanying notes are an integral part of these financial statements.

Access Justice Brooklyn, Inc.

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (561,076)	\$ 173,518
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized loss (gain) on investments	137,583	(186,976)
Depreciation	51,058	60,542
Forgiveness of PPP Loan	-	(172,905)
Reduction in carrying amount of lease assets	182,043	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	28,503	(88,111)
New York State funding receivable	(70,669)	(21,928)
Prepaid expenses	(4,893)	(6,512)
Accounts payable and accrued expenses	29,413	18,007
Refundable advances	63,967	20,080
Operating lease liability	(178,963)	-
Deferred rent	-	(28,817)
Net cash used in operating activities	<u>(323,034)</u>	<u>(233,102)</u>
Cash flows from investing activities		
Purchase of marketable securities	(565,690)	(295,675)
Proceeds from sale of marketable securities	622,358	527,726
Purchase of property and equipment	(15,648)	(7,302)
Net cash provided by investing activities	<u>41,020</u>	<u>224,749</u>
Net decrease in cash and cash equivalents	(282,014)	(8,353)
Cash and cash equivalents		
Beginning	<u>733,195</u>	<u>741,548</u>
End	<u>\$ 451,181</u>	<u>\$ 733,195</u>

The accompanying notes are an integral part of these financial statements.

Access Justice Brooklyn, Inc.

Notes to Financial Statements Years Ended December 31, 2022 and 2021

1. Organization and Nature of Activities

Access Justice Brooklyn, Inc. ("Access Justice Brooklyn") was incorporated under the laws of the State of New York. The Internal Revenue Service has determined that Access Justice Brooklyn is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Every day in Brooklyn, people with low incomes—especially in marginalized communities—face legal challenges alone. While the borough has a strong network of legal and social service organizations, there is a persistent gap between legal resources available and need for support.

Access Justice Brooklyn partners with compassionate pro bono attorneys to provide high-quality, civil legal services that help ensure equal access to the legal system. Founded in 1990 as the Brooklyn Bar Association Volunteer Lawyers Project, Access Justice Brooklyn is an independent nonprofit organization that offers free legal advice and representation to people who cannot afford it. Through direct services, education, and outreach, the organization supports individuals in the borough while simultaneously dismantling systemic barriers to justice.

The Access Justice Brooklyn approach prioritizes the most basic, essential elements and experiences of human life, including housing, family stability, and subsistence income. In all of its programs, Access Justice Brooklyn works collaboratively to discover unmet needs among self-represented individuals to ensure an equitable administration of justice and to lessen the pressure on limited judicial resources. The proven pro bono model—recruit, train, supervise, and support—also provides flexibility to address new legal issues as they emerge.

No one should be denied access to justice due to income, disability, or identity, yet barriers to representation and affordable support complicate an already unbalanced system. Access Justice Brooklyn believes that broad, sustainable systemic change requires a holistic approach. Everyone, whether an attorney or not, has a role to play in expanding access to justice.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Access Justice Brooklyn considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Access Justice Brooklyn maintains cash in multiple bank accounts which, at times, may exceed federally-insured limits. As of December 31, 2022, cash and cash equivalents with one financial institution exceeded Federal Deposit Insurance Corporation limits of \$250,000 per institution. As of December 31, 2022, the total uninsured cash balance was approximately \$88,000. Access Justice Brooklyn has not experienced any losses in such accounts.

Access Justice Brooklyn, Inc.

Investments

Investments are reported at their fair values in the statements of financial position, which is the prevailing market value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the statement of activities.

Fair Value of Financial Instruments

Access Justice Brooklyn follows the accounting standards for fair value measurement and disclosures for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements. The following table presents financial assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

Level 1 Fair Value Measurements:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Fair Value Measurements:

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 Fair Value Measurements:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common and preferred stocks: Valued at the unadjusted closing price reported on the active market on which the individual securities are trades.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Access Justice Brooklyn are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Access Justice Brooklyn are deemed to be actively traded.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Renewals and betterments that materially extend the life of the assets are capitalized.

Deferred Rent

Prior to January 1, 2022, rent expense was being recognized on a straight-line basis over the term of the lease. The difference between rent expense recognized and rental payment, as stipulated in the lease, is reflected as deferred rent in the statements of financial position.

Refundable Advances

Access Justice Brooklyn receives funding from multiple state assistance programs that supplement its traditional funding sources. These grants specify certain conditions to be met. Accordingly, Access Justice Brooklyn recognizes these contributions when the conditions are fulfilled. Amounts received prior to the conditions being met are recorded as refundable advances on the accompanying statements of financial position.

Access Justice Brooklyn, Inc.

Contributions

Access Justice Brooklyn reports gifts of cash and other assets as with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions. However, the receipt of any with donor restriction contributions whose restrictions expire, or are otherwise satisfied within the period of receipt, are reported as without donor restricted revenues in the statement of activities.

Contributions received from members of Access Justice Brooklyn's Board of Directors amounted to approximately \$113,000 and \$93,000 for the years ended December 31, 2022 and 2021, respectively.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted to fair value using an appropriate interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

With Donor Restrictions

Net assets with donor restrictions result from contributions and other inflows of assets subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by the actions pursuant to the restrictions. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, the net assets are reclassified to the category of net assets without donor restrictions and reported in the statement of activities and change in net assets, as net assets released from restrictions.

At December 31, 2022 and 2021, there were no net assets with Board designations.

In-Kind Contributions

In-kind contributions for services or the use of equipment, materials or facilities at less than fair value are recorded at their fair value in accordance with accounting literature, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Access Justice Brooklyn. In-kind contributed goods and materials are recorded at their fair value.

Functional Expenses

Expenses directly attributable to specific functions of Access Justice Brooklyn are reported as expense of those functional areas. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, maintenance, depreciation, telephone and office expenses, which are allocated on the basis of office space utilization estimates, information technology based on the beneficiaries of such costs, as well as salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

Access Justice Brooklyn, Inc.

New Accounting Pronouncement

Access Justice Brooklyn adopted ASU 2016-02, Leases (Topic 842) as of January 1, 2022, using the effective date transition method per ASU No. 2018-11, whereby entities are allowed to apply the new leases standard at the adoption date and to recognize the cumulative effect of initially applying Topic 842, if any, as an adjustment to net assets at January 1, 2022. Accordingly, all periods prior to January 1, 2022 were presented in accordance with the previous ASC Topic 840 (“Topic 840”), Leases, and no retrospective adjustments were made to the comparative periods presented. The adoption of Topic 842 did not have any impact on Access Justice Brooklyn’s net assets. Finance leases were not impacted by the adoption of Topic 842, as finance lease liabilities and the corresponding ROU assets were already recorded in the statement of financial position under the previous guidance, Topic 840. The adoption of Topic 842 resulted in an increase of \$551,896 and \$559,505 to total assets and liabilities, respectively from the recording of operating lease right-of-use (“ROU”) assets and operating lease liabilities. The adoption did not materially impact Access Justice Brooklyn’s statements of activities or cash flows.

Upon adoption, Access Justice Brooklyn elected the package of transition practical expedients which allowed Access Justice Brooklyn to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, Access Justice Brooklyn elected the practical expedient to not separate lease components from nonlease components for all leases within the portfolio. Access Justice Brooklyn made an accounting policy election to not record leases with a term of 12 months or less on the accompanying statement of financial position and recognizes related lease payments in the statement of functional expenses on a straight-line basis over the lease term. Access Justice Brooklyn determines if an arrangement is a lease at inception of a contract.

Following the adoption of this standard, Access Justice Brooklyn determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether Access Justice Brooklyn controls the use of the identified asset throughout the period of use. Access Justice Brooklyn classifies leases as either financing or operating. Access Justice Brooklyn has operating leases for office space. Right-of-use (“ROU”) assets are recognized at the lease commencement date and represent Access Justice Brooklyn’s right to use an underlying asset for the lease term and lease liabilities represent Access Justice Brooklyn’s obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on Access Justice Brooklyn’s incremental borrowing rate, when the interest rate implicit in Access Justice Brooklyn’s leases is not readily determinable.

Access Justice Brooklyn’s operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the Corporation’s long-lived asset policy.

Access Justice Brooklyn does not allocate consideration between lease and non-lease components, such as maintenance costs, as Access Justice Brooklyn has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for volume-based expenses are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred. While Access Justice Brooklyn determined not to separate lease and non-lease components, these payments are based on actual costs, making them variable consideration and excluding them from the calculations of the ROU Asset and lease liability.

Access Justice Brooklyn, Inc.

3. Contributions Receivable

Contributions receivable include unconditional promises to give which are receivable within one year of \$168,997 and \$197,500 at December 31, 2022 and 2021, respectively.

4. Investments

Investments consist of the following at December 31, 2022:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 482,709	\$ 482,709	\$ -	\$ -
Fixed income	228,357	-	228,357	-
Mutual funds - fixed income	89,045	89,045	-	-
	<u>\$ 800,111</u>	<u>\$ 571,754</u>	<u>\$ 228,357</u>	<u>\$ -</u>

Investments consist of the following at December 31, 2021:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Preferred stocks	\$ 27,870	\$ 27,870	\$ -	\$ -
Common stocks	711,235	711,235	-	-
Fixed income	10,139	-	10,139	-
Mutual funds - fixed income	245,118	245,118	-	-
	<u>\$ 994,362</u>	<u>\$ 984,223</u>	<u>\$ 10,139</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, no security represents more than 10% of investments. Investment income for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
Interest and dividend income	\$ 18,223	\$ 17,406
Net realized gains	63,732	116,710
Net unrealized (loss) gains	(201,315)	70,266
Investment management fees	(9,346)	(10,767)
	<u>\$ (128,706)</u>	<u>\$ 193,615</u>

Access Justice Brooklyn, Inc.

5. Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation, as follows:

	Estimated Useful Life	2022	2021
Office equipment	5 Years	\$ 72,883	\$ 62,483
Computer equipment	5 Years	44,065	56,336
Furniture and fixtures	7-10 Years	130,032	131,150
Leasehold improvement	lease term	133,256	133,256
		<u>380,236</u>	<u>383,225</u>
Less: accumulated depreciation		<u>(292,279)</u>	<u>(259,858)</u>
		<u>\$ 87,957</u>	<u>\$ 123,367</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
The Christopher Slattery Endowment Fund:		
Earnings available for appropriation	\$ 10,932	\$ 10,147
Restricted in perpetuity	23,772	32,520
Purpose restricted - director of institutional giving	123,183	256,833
Time restricted	10,000	-
	<u>\$ 167,887</u>	<u>\$ 299,500</u>

Donor restricted endowment fund is the Christopher Slattery Fund, a memorial fund created in memory and in honor of the son of former Access Justice Brooklyn President James Slattery, to honor Christopher Slattery, who died on September 11, 2001. Investment income earned in the fund is available for an annual grant to be awarded to a young attorney who has demonstrated outstanding commitment to provide pro bono representation of the indigent.

Access Justice Brooklyn's endowment consists of a donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of Access Justice Brooklyn has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Access Justice Brooklyn classifies as net assets with donor restrictions (a time restriction in perpetuity) the principal amount of the gift to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Access Justice Brooklyn in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by NYPMIFA.

Access Justice Brooklyn, Inc.

In accordance with NYPMIFA, Access Justice Brooklyn considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of Access Justice Brooklyn and the donor-restricted 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 Access Justice Brooklyn
- (7) Where appropriate and circumstances would otherwise warrant, alternative to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have had on Access Justice Brooklyn.
- (8) The investment policy of Access Justice Brooklyn.

Changes in Endowment Net Assets for the Years Ended December 31, 2022 and 2021:

	<u>With Donor Restrictions</u>	<u>With Donor Perpetuity Restrictions</u>
Endowment net assets, January 1, 2021	<u>\$ 8,582</u>	<u>\$ 30,025</u>
Investment return:		
Investment income	2,565	-
Net appreciation (realized and unrealized)	-	2,495
Total investments return	<u>2,565</u>	<u>2,495</u>
Appropriation of endowment for expenditure	<u>(1,000)</u>	<u>-</u>
Endowment net assets, December 31, 2021	<u>\$ 10,147</u>	<u>\$ 32,520</u>
Investment return:		
Investment income	1,785	-
Net depreciation (realized and unrealized)	-	(8,748)
Total investments return	<u>1,785</u>	<u>(8,748)</u>
Appropriation of endowment for expenditure	<u>(1,000)</u>	<u>-</u>
Contributions	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2022	<u>\$ 10,932</u>	<u>\$ 23,772</u>

7. Donated Services

Access Justice Brooklyn receives donated services from unpaid volunteers, which includes lawyers, law students and others. For the years ended December 31, 2022 and 2021, the number of volunteer hours received was 5,524 and 6,287, respectively. All of the donated services were provided directly to clients of Access Justice Brooklyn. These donated services did not include any professional services provided directly to Access Justice Brooklyn for its corporate purposes. Donated legal services were valued at \$460 and \$434 per hour for 2022 and 2021, respectively, based on average rates for the NYC metro area. Access Justice Brooklyn resolved to increase the rate by 5.9% in 2022, in line with increases in market rates for such legal services in the NYC metro area. Total donated services for the years ended December 31, 2022 and 2021 amounted to \$2,541,040 and \$2,728,558, respectively (see Note 12).

Access Justice Brooklyn, Inc.

8. Note Payable

On April 20, 2020, Access Justice Brooklyn secured a loan from TD Bank of approximately \$173,000 through the U.S. Small Business Administration's paycheck protection program. The loan had an interest rate of 1% and was to mature on April 20, 2022. A portion or all of the loan may be forgiven in accordance with the provisions of the paycheck protection program.

Access Justice Brooklyn is following the provisions of ASC 405-20-1 which states a debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met:

- The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.
- The debtor pays the creditor and is relieved of its obligation for the liability.

On July 19, 2021, Access Justice Brooklyn was notified by the U.S. Small Business Administration that the full loan amount had been forgiven. The loan forgiveness is included under forgiveness of PPP loan in the accompanying statement of activities.

9. Liquidity and Availability

Access Justice Brooklyn's financial assets available within one year of the statement of financial position date for general expenditures is as follows:

December 31,	2022
Cash and cash equivalents	\$ 451,181
New York State funding receivable	265,663
Contributions receivable	168,997
Investments, at fair value	<u>800,111</u>
Total financial assets available within one year	<u>1,685,952</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors in perpetuity	(23,772)
Restricted by donors with purpose/time restrictions	<u>(144,115)</u>
Total amounts unavailable for general expenditure within one year	<u>(167,887)</u>
Total amounts available for general expenditure within one year	<u>\$ 1,518,065</u>

Access Justice Brooklyn structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. As part of its liquidity management, Access Justice Brooklyn operates within a board approved budget and relies on contributions, grants and donated services to fund its operations and program activities.

Access Justice Brooklyn, Inc.

10. Lease

Access Justice Brooklyn leases its office space in Brooklyn under a non-cancelable operating lease, expiring in November 2024. Access Justice Brooklyn adopted ASC 842 on January 1, 2022, using the modified retrospective transition method. Accordingly, operating lease Right of Use Assets and lease liabilities were recognized at commencement date based on the present value of minimum lease payments over the remaining lease term. The minimum lease payments include base rent payments. As the implicit rate in Access Justice Brooklyn's leases is unknown, Access Justice Brooklyn uses the practical expedient available to use the risk-free rate at the lease commencement date in determining the present value of future lease payments. Operating lease expenses are recognized on a straight-line basis over the lease term.

Supplemental information as of December 31, 2022

Weighted average remaining lease term	1.92 years
Weighted average discount rate (risk-free rate)	3.96%

The maturities of lease liabilities as of December 31, 2022 are as follows:

2023	\$	203,853
2024		192,081
Total lease payments		<u>395,934</u>
Less: interest		(15,392)
Total lease liability	\$	<u><u>380,542</u></u>

Lease expense for the years ending December 31, 2022 and 2021 was \$210,591 and \$143,314, respectively.

11. Employee Benefit Plan

Access Justice Brooklyn maintains a 401(k) Profit Sharing Plan, covering all employees who meet the eligibility requirement of completing three consecutive months of eligibility service beginning on the employee's date of hire. The Plan matches the participant's contribution up to 4% of their compensation for the Plan year, as defined in the Plan. Access Justice Brooklyn made approximately \$38,000 and \$35,000 in contributions for participating employees in the plans during the years ended December 31, 2022 and 2021, respectively.

12. Subsequent Events

Access Justice Brooklyn has evaluated subsequent events through November 10, 2023, the date the financial statements were available for issuance.

Access Justice Brooklyn, Inc.

13. Functional Expenses

Expenses incurred were for the following:

	Year Ended December 31, 2022				Year Ended December 31, 2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Payroll and payroll taxes	\$ 872,643	\$ 104,196	\$ 325,613	\$ 1,302,452	\$ 811,695	\$ 46,304	\$ 232,345	\$ 1,090,344
Employee benefits	88,002	10,508	32,835	131,345	114,851	1,818	7,337	124,006
Legal services (Note 8)	2,541,040	-	-	2,541,040	2,728,558	-	-	2,728,558
Occupancy	141,102	16,846	52,643	210,591	119,907	4,299	19,107	143,313
Event expense	-	-	171,470	171,470	-	-	38,421	38,421
Program expenses	50,636	-	-	50,636	8,377	55	-	8,432
Information technology	38,488	4,596	14,361	57,445	29,327	1,966	7,114	38,407
Office expense	44,359	5,330	16,662	66,351	75,382	11,953	9,017	96,352
Professional fees	96,194	11,487	35,894	143,575	142,079	49,058	2,628	193,765
Telephone	7,931	947	2,960	11,838	9,522	335	1,478	11,335
Recruitment and recognition	11,431	1,365	4,266	17,062	440	178	-	618
Insurance	6,556	783	2,447	9,786	8,857	35	108	9,000
Repairs and maintenance	3,921	468	1,463	5,852	1,760	63	277	2,100
Christopher Slattery Award	1,000	-	-	1,000	1,000	-	-	1,000
Bad debt expense	4,400	-	-	4,400	26,678	-	-	26,678
Depreciation	34,209	4,085	12,764	51,058	50,249	1,816	8,476	60,541
Other expenses	-	-	-	-	1,752	63	295	2,110
	<u>3,941,912</u>	<u>160,611</u>	<u>673,378</u>	<u>4,775,901</u>	<u>4,130,434</u>	<u>117,943</u>	<u>326,603</u>	<u>4,574,980</u>
Less: direct event expenses	-	-	(171,470)	(171,470)	-	-	(38,421)	(38,421)
Total	<u>\$ 3,941,912</u>	<u>\$ 160,611</u>	<u>\$ 501,908</u>	<u>\$ 4,604,431</u>	<u>\$ 4,130,434</u>	<u>\$ 117,943</u>	<u>\$ 288,182</u>	<u>\$ 4,536,559</u>

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