

THE PENNSYLVANIA INNOCENCE PROJECT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020



**THE PENNSYLVANIA INNOCENCE PROJECT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

Page

INDEPENDENT AUDITOR’S REPORT

1

FINANCIAL STATEMENTS

Statement of Financial Position

3

Statement of Activities

4

Statement of Functional Expenses

5

Statement of Cash Flows

6

Notes to Financial Statements

7



INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Pennsylvania Innocence Project
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Pennsylvania Innocence Project (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020 and the related statement of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Pennsylvania Innocence Project

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pennsylvania Innocence Project as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from The Pennsylvania Innocence Project's 2019 financial statements and, in our report dated July 23, 2020, we expressed an unmodified opinion on the financial statements.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
April 21, 2021

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,201,777	\$ 864,006
Contributions and grants receivable	173,166	20,945
Prepaid expenses	4,994	1,557
Investments	<u>417,996</u>	<u>352,569</u>
TOTAL ASSETS	<u><u>\$ 1,797,933</u></u>	<u><u>\$1,239,077</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 22,122	\$ 16,694
Accrued payroll	41,211	-
Accrued compensated absences	11,590	9,571
Note payable	<u>111,500</u>	<u>-</u>
TOTAL LIABILITIES	<u>186,423</u>	<u>26,265</u>
NET ASSETS		
Without Donor Restrictions	1,457,310	1,172,351
With Donor Restrictions	<u>154,200</u>	<u>40,461</u>
TOTAL NET ASSETS	<u>1,611,510</u>	<u>1,212,812</u>
TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 1,797,933</u></u>	<u><u>\$1,239,077</u></u>

See accompanying Notes to Financial Statements.

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
REVENUE AND SUPPORT				
Individuals	\$ 662,444	\$ -	\$ 662,444	\$ 304,077
Foundations	166,890	221,672	388,562	45,450
Law firms	106,598	-	106,598	15,032
Corporations	37,106	-	37,106	11,816
Government	75,659	-	75,659	-
Nonprofit organizations	3,354	-	3,354	3,625
Special events	-	-	-	510,342
Less: cost of direct donor benefits	-	-	-	(83,817)
Donated services and facilities	1,039,175	-	1,039,175	3,458,698
Workshop fees	36,500	-	36,500	17,100
Other income	1,801	-	1,801	-
Investment income	8,742	-	8,742	12,891
Realized and unrealized gains	27,072	-	27,072	34,992
Net assets released from restriction	107,933	(107,933)	-	-
Total revenue and support	<u>2,273,274</u>	<u>113,739</u>	<u>2,387,013</u>	<u>4,330,206</u>
EXPENSES				
Program services	1,793,042	-	1,793,042	3,975,096
Supporting services				
Management and general	67,827	-	67,827	165,679
Fundraising	127,446	-	127,446	210,604
Total expenses	<u>1,988,315</u>	<u>-</u>	<u>1,988,315</u>	<u>4,351,379</u>
CHANGE IN NET ASSETS	284,959	113,739	398,698	(21,173)
NET ASSETS				
Beginning of year	<u>1,172,351</u>	<u>40,461</u>	<u>1,212,812</u>	<u>1,233,985</u>
End of year	<u>\$ 1,457,310</u>	<u>\$ 154,200</u>	<u>\$1,611,510</u>	<u>\$1,212,812</u>

See accompanying Notes to Financial Statements.

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals 2020</u>	<u>Totals 2019</u>
Personnel					
Salaries	\$ 580,936	\$ 19,582	\$ 52,219	\$ 652,737	\$ 514,582
Payroll taxes	45,141	1,522	4,058	50,721	40,738
Fringe benefits	66,599	2,245	5,986	74,830	49,819
Total personnel expense	692,676	23,349	62,263	778,288	605,139
Accounting and audit	-	18,332	-	18,332	15,673
Bank fees	3,022	102	4,481	7,605	5,632
DNA forensic tests	1,740	-	-	1,740	-
Donated facilities	13,635	-	-	13,635	49,309
Donated services	1,025,540	-	-	1,025,540	3,409,389
Dues and subscriptions	1,140	30	80	1,250	1,579
Exonoree expense	24,443	-	-	24,443	5,043
Fundraising expenses	-	-	6,917	6,917	-
Insurance	3,140	25	67	3,232	3,570
Licenses and fees	1,472	-	887	2,359	3,596
Office expense	1,536	508	7,809	9,853	12,943
Other professional fees	8,361	847	44,153	53,361	170,770
Postage	1,379	32	546	1,957	9,721
Rent	-	24,565	-	24,565	24,612
Travel and conferences	14,958	37	243	15,238	34,403
Total expenses	<u>\$1,793,042</u>	<u>\$ 67,827</u>	<u>\$ 127,446</u>	<u>\$1,988,315</u>	<u>\$4,351,379</u>

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 398,698	\$ (21,173)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized gains on investments	(27,072)	(35,278)
Donated stock	(30,357)	-
(Increase) decrease in		
Contributions and grants receivable	(152,221)	60,489
Prepaid expenses	(3,437)	(1,557)
Increase (decrease) in		
Accounts payable and accrued expenses	5,428	(7,442)
Accrued payroll	41,211	-
Accrued compensated absences	2,019	9,571
Net cash provided by operating activities	<u>234,269</u>	<u>4,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(30,450)	(90,688)
Proceeds from sale of investments	22,452	59,730
Net cash used for investing activities	<u>(7,998)</u>	<u>(30,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	111,500	-
Net cash provided by financing activities	<u>111,500</u>	<u>-</u>
Net change in cash	337,771	(26,348)
CASH		
Beginning of year	<u>864,006</u>	<u>890,354</u>
Ending of year	<u>\$ 1,201,777</u>	<u>\$ 864,006</u>

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 NATURE OF ORGANIZATION

The Pennsylvania Innocence Project (“PaIP”) has a four-fold mission to: (1) secure the exoneration, release from imprisonment, and restoration to society of persons who are innocent and have been wrongly convicted; (2) provide clinical training and experience to students in the fields of law, journalism, criminal justice, and forensic science; (3) collaborate with law enforcement agencies and the courts to address systemic causes of wrongful convictions; and (4) strengthen and improve the effectiveness of the criminal justice system in Pennsylvania through public education and advocacy.

PaIP executes the mission in several ways: (1) conducting thorough legal and factual review of claims of innocence raised by incarcerated individuals, and where such review reveals credible claims of actual innocence, partners with pro bono outside counsel to provide legal representation seeking exoneration; (2) engaging in advocacy, and, when appropriate, working with the law enforcement community to address systemic causes of wrongful convictions, increase access to justice, and prevent wrongful convictions; (3) providing clinical training and experience to students in the fields of law, journalism, criminal justice, and forensic science to educate a new generation of advocates for the innocent; and 4) providing support to exonerees who, often after many years in prison, return to their communities.

PaIP receives participation by law students and faculty from accredited law schools in greater Philadelphia and throughout Pennsylvania, as well as students and faculty in various other disciplines, including journalism, criminal justice and forensic science whose academic focus is directly relevant to advancing PaIP’s mission.

PaIP receives the bulk of its funding from the Philadelphia and Pittsburgh area public interest law communities and, to a lesser extent, from government grants and contracts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Currently, there are two classes of net assets for nonprofit organizations: net assets with donor restrictions and net assets without donor restrictions.

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

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain 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 the 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.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Cash and Cash Equivalents

Cash consists of cash on deposit in interest-bearing accounts and demand deposits. Cash equivalents consist of highly liquid investments with original maturities of 91 days or less.

Investments

PaIP presents its investments in accordance with FASB ASC 958-320, “Accounting for Certain Investments Held by Not-For-Profit Organizations”. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

Depreciation on office equipment is recorded using the straight-line method over the estimated useful lives of assets. PaIP follows the practice of capitalizing, at cost, all expenditures for equipment in excess of \$1,000. There is no capitalized equipment as of December 31, 2020.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants 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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Compensated Absences

Employees of PaIP are entitled to paid vacation, paid sick days and personal days off under a single PTO policy. At December 31, 2020, the liability for compensated absences totaled \$11,590.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Due to the pandemic, in lieu of a special event in 2020, PaIP hosted a virtual presentation. Contributions made at that time have been recorded as support from Individuals, Law firms and Corporations.

Government Grant Contract

PaIP received a cost-reimbursable federal grant contract which is conditioned upon certain qualifying expenses. Revenue under this contract is recognized as an increase in net assets without restrictions when the conditions are met, that is, when PaIP has incurred expenditures in compliance with specific contract provisions. PaIP has a cost reimbursable grant totaling \$173,703. At December 31, 2020, \$75,659 of the contract had been billed. This amount was collected after December 31, 2020.

Donated Services

Contributions of donated services that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received - see Note 9.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing various program and supporting services have been presented on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based primarily upon the relative time spent by the PaIP's employees on each function.

Statement of Cash Flows

PaIP utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, are defined as short term, highly liquid investments with an initial maturity of three months or less.

Income Tax Status

PaIP is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for Federal or state income taxes is included in these financial statements. PaIP follows the income tax standard for uncertain tax positions. Should the tax-exempt status be challenged in the future, PaIP's last three tax years are open for examination by the IRS.

NOTE 3 CONCENTRATION OF RISK

PaIP maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2020, cash balances in excess of insured limits were \$838,264. PaIP has not experienced any losses from maintaining cash accounts which are in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets:	
Cash and cash equivalents	\$1,201,777
Contributions and grants receivable	173,166
Investments	<u>417,996</u>
Total financial assets	<u>1,374,943</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(63,707)
Less financial assets not available within one year:	
Contributions and grants receivable	<u>(5,000)</u>
Amount available for general expenditures within one year	<u><u>\$1,306,236</u></u>

PaIP has been able to maintain financial assets to meet approximately 12 months of operating expenses. As part of its liquidity plan, excess cash may in the future be invested in short-term investments, including money market accounts.

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as 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. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management’s judgment about the assumptions that market participants would use in pricing the asset or liability.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

<u>Description</u>	<u>Total</u>	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Money market funds	\$ 22,501	\$ 22,501	\$ -	\$ -
Mutual funds:				
Fixed income	295,529	295,529	-	-
Equity	70,112	70,112	-	-
Equities	29,854	29,854	-	-
	<u>\$ 417,996</u>	<u>\$ 417,996</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2020, are due as follows:

Less than 1 year	\$168,166
1 year to 5 years	<u>5,000</u>
Total	<u>\$173,166</u>

Interest rates at the time a multi-year grant was received were negligible, therefore, no discount to present value has been calculated.

NOTE 7 NOTE PAYABLE

In April 2020, PaIP obtained a Paycheck Protection Program (“PPP”) loan in the amount of \$111,500 from the U.S. Small Business Administration. These loans were authorized by Congress in an effort to aid organizations during the pandemic. The loan is subject to forgiveness if PaIP has sufficient payroll, utilities and other specified expenses. Any balance of the loan that is not forgiven will be subject to 1% interest. See Note 11 for the Subsequent Event of forgiveness of the loan.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 COMMITMENTS

PaIP has offices located in Philadelphia, Pennsylvania and Pittsburgh, Pennsylvania. Temple University subsidizes the cost of occupancy (see Note 9). Rent expense for the year ended December 31, 2020 was \$24,565.

NOTE 9 DONATED SERVICES AND OCCUPANCY

In-kind donated services and facilities consist of the following:

Legal services	\$1,025,540
Temple University - space	<u>13,635</u>
	<u><u>\$1,039,175</u></u>

Donated services are recorded at fair value as assigned by law firm contributors. The services represent 3,423 donated hours.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

Purpose restrictions:	
DNA Testing	\$ 28,138
Spanish	18,291
Re-Entry	16,666
COVID 19	<u>612</u>
Total Purpose Restrictions	<u>63,707</u>
Time Restrictions	<u>90,493</u>
Total	<u><u>\$ 154,200</u></u>

THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time specified by the donors during the year ended December 31, 2020:

Purpose restrictions:	
DNA Testing	\$ 1,740
Spanish	1,394
Re-Entry	3,334
COVID 19	15,388
Mitigation	<u>3,500</u>
Total Purpose Restrictions	25,356
Time Restrictions	<u>82,577</u>
Total	<u><u>\$ 107,933</u></u>

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2021, the date on which the financial statements were available to be issued.

On March 24, 2021, the PPP loan (see Note 7) was forgiven by the U.S. Small Business Administration. The loan will be converted to a grant and recognized as income for the year ending December 31, 2021.