

THE PENNSYLVANIA INNOCENCE PROJECT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)



**THE PENNSYLVANIA INNOCENCE PROJECT
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YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Pennsylvania Innocence Project
Philadelphia, Pennsylvania

Opinion

We have audited the financial statements of The Pennsylvania Innocence Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 The Pennsylvania Innocence Project as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 The Pennsylvania Innocence Project, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 The Pennsylvania Innocence Project's ability to continue as a going concern within one year after the date of 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 GAAS 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 GAAS, 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 The Pennsylvania Innocence Project'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 The Pennsylvania Innocence Project'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.

Report on Summarized Comparative Information

We have previously audited The Pennsylvania Innocence Project's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audit financial statements from which it has been derived.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
April 22, 2022

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS AT DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 963,632	\$1,201,777
Grants and contributions receivable	66,099	173,166
Prepaid expenses	14,172	4,994
Investments	<u>965,342</u>	<u>417,996</u>
TOTAL ASSETS	<u>\$ 2,009,245</u>	<u>\$1,797,933</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 44,354	\$ 22,122
Accrued payroll	-	41,211
Accrued compensated absences	12,118	11,590
Note payable	<u>-</u>	<u>111,500</u>
TOTAL LIABILITIES	<u>56,472</u>	<u>186,423</u>
NET ASSETS		
Without Donor Restrictions	1,800,988	1,457,310
With Donor Restrictions	<u>151,785</u>	<u>154,200</u>
TOTAL NET ASSETS	<u>1,952,773</u>	<u>1,611,510</u>
TOTAL LIABILITES AND NET ASSETS	<u>\$ 2,009,245</u>	<u>\$1,797,933</u>

See accompanying Notes to Financial Statements.

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
REVENUE AND SUPPORT				
Individuals	\$ 623,599	\$ -	\$ 623,599	\$ 662,444
Foundations	144,700	94,550	239,250	388,562
Law firms	140,200	10,000	150,200	106,598
Corporations	112,591	-	112,591	37,106
Government	124,469	-	124,469	75,659
Nonprofit organizations	41,506	-	41,506	3,354
Extinguishment of debt	111,500	-	111,500	-
Donated services and facilities	3,012,975	-	3,012,975	1,039,175
Workshop fees	21,281	-	21,281	36,500
Other income	400	-	400	1,801
Investment income	16,791	-	16,791	8,742
Realized and unrealized gains	17,819	-	17,819	27,072
Net assets released from restriction	106,965	(106,965)	-	-
Total revenue and support	4,474,796	(2,415)	4,472,381	2,387,013
EXPENSES				
Program services	3,828,269	-	3,828,269	1,793,042
Supporting services				
Management and general	109,560	-	109,560	67,827
Fundraising	193,289	-	193,289	127,446
Total expenses	4,131,118	-	4,131,118	1,988,315
CHANGE IN NET ASSETS	343,678	(2,415)	341,263	398,698
NET ASSETS				
Beginning of year	1,457,310	154,200	1,611,510	1,212,812
End of year	\$ 1,800,988	\$ 151,785	\$1,952,773	\$1,611,510

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals 2021</u>	<u>Totals 2020</u>
Personnel					
Salaries	\$ 590,471	\$ 32,235	\$ 76,649	\$ 699,355	\$ 652,737
Payroll taxes	45,376	2,477	5,890	53,743	50,721
Fringe benefits	74,756	4,081	9,704	88,541	74,830
Total personnel expense	710,603	38,793	92,243	841,639	778,288
Accounting and audit	-	50,574	-	50,574	18,332
Bank fees	-	3,568	4,330	7,898	7,605
Donated facilities	13,635	-	-	13,635	13,635
Donated services	2,999,340	-	-	2,999,340	1,025,540
Dues and subscriptions	2,500	635	-	3,135	1,250
Exonoree expense	39,799	-	-	39,799	41,847
Fundraising expenses	-	750	56,537	57,287	29,340
Insurance	3,300	3,048	-	6,348	3,232
Licenses and fees	835	-	790	1,625	2,359
Office expense	1,199	4,529	2,162	7,890	6,010
Other professional fees	32,143	1,122	36,620	69,885	29,339
Postage	1,849	1,140	607	3,596	1,957
Rent	20,000	5,000	-	25,000	24,565
Website expense	3,066	401	-	3,467	5,016
Total expenses	<u>\$3,828,269</u>	<u>\$ 109,560</u>	<u>\$ 193,289</u>	<u>\$4,131,118</u>	<u>\$1,988,315</u>

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 341,263	\$ 398,698
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Extinguishment of debt	(111,500)	-
Net realized and unrealized gains on investments	(17,819)	(27,072)
Donated stock	(11,748)	(30,357)
(Increase) decrease in		
Grants and contributions receivable	107,067	(152,221)
Prepaid expenses	(9,178)	(3,437)
Increase (decrease) in		
Accounts payable and accrued expenses	22,232	5,428
Accrued payroll	(41,211)	41,211
Accrued compensated absences	528	2,019
Net cash provided by operating activities	<u>279,634</u>	<u>234,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(916,001)	(30,450)
Proceeds from sale of investments	398,222	22,452
Net cash used for investing activities	<u>(517,779)</u>	<u>(7,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	111,500
Net cash provided by financing activities	<u>-</u>	<u>111,500</u>
Net change in cash	(238,145)	337,771
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,201,777</u>	<u>864,006</u>
End of year	<u>\$ 963,632</u>	<u>\$ 1,201,777</u>

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Basis of Presentation

PaIP’s financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”), which require PaIP to report information regarding its financial position and activities according to the following net asset classifications:

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of PaIP's management and the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PaIP or by the passage of time. PaIP does not have any donor restrictions that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject PaIP to concentration of credit risk consist of cash. PaIP maintains its cash in various bank accounts in one financial institution that, at times, may exceed federally insured limits. As of December 31, 2021, PaIP's uninsured cash balance totaled \$563,182. PaIP has not experienced, nor does it anticipate, any losses with respect to such amounts.

Summarized Comparative Information

The summarized comparative information presents amounts in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with PaIP's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. The reclassifications had no impact on previously reported net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and these differences could be material.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable

Grants and contributions receivable are expected to be collected within one year are recorded at net realizable value. There are no grants or contributions receivable expected beyond one year.

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 restrictions are reported as an increase in net assets with donor restrictions, depending on the nature of the 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 statement of activities as net assets released from restriction.

Revenue and Revenue Recognition

PaIP recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received.

A portion of PaIP's revenue is derived from a cost reimbursable federal grant, which is conditioned upon incurring expenditures for performance of services. Amounts received are recognized as revenue when the expenditures have been incurred in compliance with specific grant provisions. At December 31, 2021, \$47,774 of the cost reimbursable grant has not been recognized. No amounts have been received in advance under the federal grant.

Donated Services and Facilities

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. Contributions of donated facilities are also recorded at fair value in the period received.

Functional Allocation of Expenses

The costs of providing the PaIP's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on a percentage of use by the functional areas.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit 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 income taxes is included in these financial statements. In addition, for the year ended December 31, 2021, the Organization had no unrelated business income. The Organization follows the income tax standard for uncertain tax positions and has concluded that as of December 31, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability in the financial statements or disclosure.

NOTE 3 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:

Financial assets:	
Cash and cash equivalents	\$ 963,632
Contributions and grants receivable	66,099
Total financial assets	<u>1,029,731</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	<u>(70,334)</u>
Amount available for general expenditures within one year	<u><u>\$ 959,397</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 4 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.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

<u>Description</u>	<u>Total</u>	Quoted Prices In		Significant Unobservable Inputs Level 3
		Active Markets for Identical Assets Level 1	Significant Other Observable inputs Level 2	
Assets:				
Money market funds	\$ 2,974	\$ 2,974	\$ -	\$ -
Mutual funds:				
Fixed income	169,018	169,018	-	-
Equity	18,872	18,872	-	-
Exchange traded funds	774,478	774,478	-	-
	<u>\$ 965,342</u>	<u>\$ 965,342</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 EXTINGUISHMENT OF DEBT

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. PaIP initially recorded the loan as a note payable. The loan was forgiven on March 24, 2021 and is reported in the accompanying statement of activities as an extinguishment of debt.

NOTE 6 COMMITMENTS

PaIP has offices located in Philadelphia, Pennsylvania and Pittsburgh, Pennsylvania. Temple University subsidizes the cost of occupancy (see Note 7). Rent expense for the year ended December 31, 2021 was \$25,000.

NOTE 7 DONATED SERVICES AND OCCUPANCY

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

Legal services	\$2,999,340
Temple University - space	<u>13,635</u>
	<u><u>\$3,012,975</u></u>

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DONATED SERVICES AND OCCUPANCY (CONTINUED)

Donated services are recorded at fair value as assigned by law firm contributors. The services represent 6,336 donated hours of which 5,351 were valued at \$2,999,340.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

Purpose restrictions:

Computer/IT Upgrades	\$ 29,550
COVID 19	612
Re-Entry	10,000
Salaries	12,499
Spanish	<u>17,673</u>
Total Purpose Restrictions	70,334
Time Restrictions	<u>81,451</u>
Total	<u><u>\$ 151,785</u></u>

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, 2021:

Purpose restrictions:

DNA Testing	\$ 28,138
Re-Entry	16,666
Salaries	12,501
Spanish	<u>618</u>
Total Purpose Restrictions	57,923
Time Restrictions	<u>49,042</u>
Total	<u><u>\$ 106,965</u></u>

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 22, 2022, the date on which the financial statements were available to be issued.