

THE PENNSYLVANIA INNOCENCE PROJECT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)



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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Pennsylvania Innocence Project
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

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, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Pennsylvania Innocence Project as of December 31, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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
May 10, 2023

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS AT DECEMBER 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 646,776	\$ 963,632
Grants and contributions receivable	87,225	66,099
Prepaid expenses	15,897	14,172
Investments	830,640	965,342
TOTAL ASSETS	\$ 1,580,538	\$ 2,009,245
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 23,786	\$ 44,354
Accrued compensated absences	14,729	12,118
TOTAL LIABILITIES	38,515	56,472
NET ASSETS		
Without donor restrictions	1,377,340	1,800,988
With donor restrictions	164,683	151,785
TOTAL NET ASSETS	1,542,023	1,952,773
TOTAL LIABILITES AND NET ASSETS	\$ 1,580,538	\$ 2,009,245

See accompanying Notes to Financial Statements.

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
REVENUE AND SUPPORT				
Grants and Contributions				
Individuals	\$ 565,503	\$ -	\$ 565,503	\$ 623,599
Foundations	75,675	175,220	250,895	239,250
Law firms	122,800	-	122,800	150,200
Corporations	47,395	-	47,395	112,591
Government	49,234	-	49,234	124,469
Nonprofit organizations	19,147	25,000	44,147	41,506
Extinguishment of debt	-	-	-	111,500
Contributions of nonfinancial assets	3,453,006	-	3,453,006	3,012,975
Workshop fees	32,000	-	32,000	21,281
Other income	1,237	-	1,237	400
Investment income	2,239	-	2,239	16,791
Realized and unrealized gains (losses)	(145,749)	-	(145,749)	17,819
Net assets released from restriction	187,322	(187,322)	-	-
Total revenue and support	4,409,809	12,898	4,422,707	4,472,381
EXPENSES				
Program services	4,399,031	-	4,399,031	3,828,269
Supporting services				
Management and general	214,989	-	214,989	109,560
Fundraising	219,437	-	219,437	193,289
Total expenses	4,833,457	-	4,833,457	4,131,118
CHANGE IN NET ASSETS	(423,648)	12,898	(410,750)	341,263
NET ASSETS				
Beginning of year	1,800,988	151,785	1,952,773	1,611,510
End of year	\$ 1,377,340	\$ 164,683	\$ 1,542,023	\$ 1,952,773

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Program Services	Management and General	Fundraising	2022	2021
Personnel					
Salaries	\$ 730,438	\$ 27,075	\$ 114,912	\$ 872,425	\$ 699,355
Payroll taxes	54,783	3,387	10,286	68,456	53,743
Fringe benefits	68,868	9,429	12,810	91,107	88,541
Total personnel expense	854,089	39,891	138,008	1,031,988	841,639
Accounting and audit	-	61,524	-	61,524	50,574
Bank fees	-	5,173	3,868	9,041	7,898
Donated facilities	44,000	-	-	44,000	13,635
Donated services	3,409,006	-	-	3,409,006	2,999,340
Dues and subscriptions	3,450	4,274	-	7,724	3,135
Exonoree expense	59,884	-	-	59,884	39,799
Fundraising expenses	34	-	70,662	70,696	57,287
Insurance	3,544	3,626	-	7,170	6,348
Licenses and fees	326	92	1,258	1,676	1,625
Office expense	854	8,531	77	9,462	7,890
Other professional fees	22,469	69,192	5,564	97,225	69,885
Postage	1,375	3,063	-	4,438	3,596
Rent	-	18,029	-	18,029	25,000
Website expense	-	1,594	-	1,594	3,467
Total expenses	\$ 4,399,031	\$ 214,989	\$ 219,437	\$ 4,833,457	\$ 4,131,118

THE PENNSYLVANIA INNOCENCE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (410,750)	\$ 341,263
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Extinguishment of debt	-	(111,500)
Net realized and unrealized (gain) loss on investments	145,749	(17,819)
Donated stock	-	(11,748)
(Increase) decrease in		
Grants and contributions receivable	(21,126)	107,067
Prepaid expenses	(1,725)	(9,178)
Increase (decrease) in		
Accounts payable and accrued expenses	(20,568)	22,232
Accrued payroll	-	(41,211)
Accrued compensated absences	2,611	528
Net cash provided (used) by operating activities	<u>(305,809)</u>	<u>279,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,047)	(916,001)
Proceeds from sale of investments	-	398,222
Net cash used for investing activities	<u>(11,047)</u>	<u>(517,779)</u>
Net change in cash	(316,856)	(238,145)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>963,632</u>	<u>1,201,777</u>
End of year	<u>\$ 646,776</u>	<u>\$ 963,632</u>

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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, 2022, PaIP's uninsured cash balance totaled \$316,810. 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, 2021 from which the summarized information was derived.

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, 2022**

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.

PaIP provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2022, an allowance for doubtful accounts was not warranted.

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. Conditional contributions, including those received as conditional promises to give, are not recognized until the conditions on which they depend have been substantially met. Unconditional contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restrictions 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.

A portion of PaIP's revenue is derived from cost-reimbursement grants and contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when PaIP has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are included in deferred revenue in the statements of financial position.

In 2022, PaIP was awarded a grant of \$366,000 from the U.S. Department of Justice (DoJ). Revenue from this grant will be recognized in future periods as qualifying expenditures are incurred. Government revenue recognized in 2022 and 2021 was from a prior cost reimbursement grant from the DoJ.

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.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022, 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, 2022, 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.

Recently Adopted Accounting Pronouncement

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 646,776
Contributions and grants receivable	<u>87,225</u>
Total financial assets	734,001
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	<u>(53,285)</u>
Amount available for general expenditures within one year	<u><u>\$ 680,716</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 or amounts may be drawn from investments as needed.

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.

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, 2022**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

<u>Description</u>	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Assets:				
Money market funds	\$ 14,051	\$ 14,051	\$ -	\$ -
Mutual funds:				
Fixed income	151,146	151,146	-	-
Equity	14,301	14,301	-	-
Exchange traded funds	651,142	651,142	-	-
	<u>\$ 830,640</u>	<u>\$ 830,640</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Legal services	\$ 3,409,006	Program Services	No associated donor restrictions	Fair value as reported by the donors based on market rates
Office space	44,000	Program Services	No associated donor restrictions	Valued at the fair value of comparable facility rentals in local real estate market.
	<u>\$ 3,453,006</u>			

PaIP has offices located in Philadelphia, Pennsylvania and Pittsburgh, Pennsylvania. Temple and Duquesne universities subsidize in large part the cost of occupancy ('Donated facilities'). Rent expense represents amounts paid to Temple for occupancy.

**THE PENNSYLVANIA INNOCENCE PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

Purpose restrictions:	
Covid-19	\$ 612
Re-entry	20,000
Spanish	17,673
Pittsburgh	<u>15,000</u>
Total Purpose Restrictions	53,285
Time Restrictions	<u>111,398</u>
Total	<u><u>\$ 164,683</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, 2022:

Purpose restrictions:	
Computer/IT Upgrade	\$ 29,550
Salary	<u>37,499</u>
Total Purpose Restrictions	67,049
Time Restrictions	<u>120,273</u>
Total	<u><u>\$ 187,322</u></u>

NOTE 7 SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2023, the date on which the financial statements were available to be issued.