



# Legal Priorities Project

FINANCIAL STATEMENTS

December 31, 2022 and 2021

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Legal Priorities, Inc.  
Cambridge, Massachusetts

**Opinion**

We have audited the financial statements of Legal Priorities, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Legal Priorities, 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 (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 Legal Priorities, 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.

**Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Legal Priorities, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of January 1, 2022. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Priorities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 Legal Priorities, 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 Legal Priorities, 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.



Wegner CPAs, LLP  
Alexandria, Virginia  
July 17, 2023

**LEGAL PRIORITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 743,811	\$ 477,244
Prepaid expenses	8,760	-
Total current assets	752,571	477,244
<b>EQUIPMENT</b>		
Equipment	13,797	4,035
Accumulated depreciation	(3,084)	(281)
Equipment, net	10,713	3,754
<b>OTHER ASSET</b>		
Operating lease right-of-use asset	29,343	-
<b>Total assets</b>	<u>\$ 792,627</u>	<u>\$ 480,998</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,360	\$ 6,250
Accrued payroll	27,126	-
Operating lease liability	29,343	-
Refundable advance	-	60,924
Total liabilities	64,829	67,174
<b>NET ASSETS</b>		
Without donor restrictions	342,659	386,286
With donor restrictions		
Summer fellowships	169,922	27,538
Research	133,946	-
Community building	81,271	-
Total net assets	727,798	413,824
<b>Total liabilities and net assets</b>	<u>\$ 792,627</u>	<u>\$ 480,998</u>

See accompanying notes.

**LEGAL PRIORITIES, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 837,366	\$ 621,251	\$ 1,458,617
<b>EXPENSES</b>			
Program Services			
Research	704,253	-	704,253
Outreach	234,642	-	234,642
Supporting Activities			
Management and General	195,493	-	195,493
Fundraising	10,255	-	10,255
Total expenses	1,144,643	-	1,144,643
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of purpose restrictions	263,650	(263,650)	-
<b>Change in net assets</b>	(43,627)	357,601	313,974
Net assets at beginning of year	386,286	27,538	413,824
<b>Net assets at end of year</b>	<u>\$ 342,659</u>	<u>\$ 385,139</u>	<u>\$ 727,798</u>

See accompanying notes.

**LEGAL PRIORITIES, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 625,428	\$ 125,000	\$ 750,428
<b>EXPENSES</b>			
Program Services			
Research	310,211	-	310,211
Outreach	100,847	-	100,847
Supporting Activities			
Management and General	18,968	-	18,968
Fundraising	9,023	-	9,023
Total expenses	439,049	-	439,049
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of purpose restrictions	97,462	(97,462)	-
<b>Change in net assets</b>	283,841	27,538	311,379
Net assets at beginning of year	102,445	-	102,445
<b>Net assets at end of year</b>	<u>\$ 386,286</u>	<u>\$ 27,538</u>	<u>\$ 413,824</u>

See accompanying notes.

**LEGAL PRIORITIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Total Expenses</u>
	<u>Research</u>	<u>Outreach</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel	\$ 485,612	\$ -	\$ 8,490	\$ 9,900	\$ 504,002
Professional fees	165,165	28,711	53,480	-	247,356
Office expenses	10,001	2,423	36,537	-	48,961
Conferences and meetings	996	1,101	1,505	-	3,602
Insurance	-	-	1,964	-	1,964
Occupancy	8,655	-	58,394	-	67,049
Advertising	4,337	420	793	355	5,905
Information technology	2,150	-	7,862	-	10,012
Travel	21,064	109,080	13,987	-	144,131
Depreciation	-	-	2,803	-	2,803
Miscellaneous	3,865	34	1,726	-	5,625
Program research	946	2,900	-	-	3,846
Stipends	1,462	89,973	-	-	91,435
Repairs and maintenance	-	-	7,952	-	7,952
<b>Total expenses</b>	<b><u>\$ 704,253</u></b>	<b><u>\$ 234,642</u></b>	<b><u>\$ 195,493</u></b>	<b><u>\$ 10,255</u></b>	<b><u>\$ 1,144,643</u></b>

See accompanying notes.



**LEGAL PRIORITIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2021

	Program Services		Supporting Activities		Total Expenses
	Research	Outreach	Management and General	Fundraising	
Personnel	\$ 65,368	\$ -	\$ 1,155	\$ -	\$ 66,523
Professional fees	168,873	-	8,966	9,023	186,862
Office expenses	10,685	-	2,722	-	13,407
Conferences and meetings	266	2,671	80	-	3,017
Insurance	-	-	2,450	-	2,450
Occupancy	6,142	-	-	-	6,142
Advertising	-	-	889	-	889
Information technology	1,830	-	-	-	1,830
Travel	37,895	4,994	939	-	43,828
Depreciation	-	-	281	-	281
Miscellaneous	1,880	-	1,486	-	3,366
Stipends	17,272	93,182	-	-	110,454
<b>Total expenses</b>	<b>\$ 310,211</b>	<b>\$ 100,847</b>	<b>\$ 18,968</b>	<b>\$ 9,023</b>	<b>\$ 439,049</b>

See accompanying notes.

**LEGAL PRIORITIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 313,974	\$ 311,379
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,803	281
Amortization of operating lease right-of-use asset	37,800	-
Increase in assets		
Prepaid expenses	(8,760)	-
Increase (decrease) in liabilities		
Accounts payable	2,110	2,586
Accrued payroll	27,126	-
Operating lease liability	(37,800)	-
Refundable advance	(60,924)	60,922
	<u>276,329</u>	<u>375,168</u>
<b>Net cash flows from operating activities</b>	276,329	375,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(9,762)	(4,035)
	<u>266,567</u>	<u>371,133</u>
<b>Net change in cash</b>	266,567	371,133
Cash at beginning of year	<u>477,244</u>	<u>106,111</u>
<b>Cash at end of year</b>	<u>\$ 743,811</u>	<u>\$ 477,244</u>

See accompanying notes.

**LEGAL PRIORITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Legal Priorities, Inc. (LPP) is a nonprofit organization whose mission is to conduct legal research that tackles the world's most pressing problems. This currently leads us to focus on the protection of future generations. LPP develops and promotes rigorous, scientific approaches to the question of how legal researchers can do the most good, both by identifying the most important, neglected, and tractable problems in legal research, as well as by conducting academic research on the identified problems. LPP is supported primarily by grants and contributions.

**Equipment**

LPP capitalizes all computer equipment acquisitions of \$1,500 and above. Computer equipment is recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation of computer equipment is provided using the straight-line method over the estimated useful lives of the assets.

**Contributions**

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. 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.

**Leases**

LPP does not recognize short-term leases in the statements of financial position. For these leases, LPP recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. LPP also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, LPP uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, which are allocated based on estimates of time and effort.

**LEGAL PRIORITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Guidance**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

LPP adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows LPP to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. LPP's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**Income Tax Status**

Legal Priorities, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Date of Management's Review**

Management has evaluated subsequent events through July 17, 2023, the date which the financial statements were available to be issued.

**LEGAL PRIORITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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NOTE 2—CONCENTRATIONS

**Concentrations of Credit Risk**

LPP maintains its cash balances at a financial institution located in Boston, Massachusetts. The account at this institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, LPP's cash balances exceed the FDIC Insurance amount. At December 31, 2022 and 2021, LPP's uninsured cash balances totaled approximately \$494,000 and \$227,000, respectively.

**Donor Concentration**

For the years ended December 31, 2022 and 2021, substantially all of LPP's contributions came from three and four donors, respectively.

NOTE 3—RETIREMENT PLAN

LPP has established a 401(k) plan (the Plan) for its employees. Employees are eligible to participate immediately upon hire. Employees may contribute the maximum amount allowed by law to the Plan. LPP will match 100% of employee contributions up to the first 3% of employee contributions. For the year ended December 31, 2022, LPP made matching contributions of \$4,514 to the Plan. For the year ended December 31, 2021, LPP did not make any matching contributions to the Plan.

NOTE 4—LIQUIDITY AND AVAILABILITY

The following table reflects LPP's financial assets as of the date of the statements of financial position reduced by amounts not available for general expenditures within one year of the date of the statements of financial position because of donor-imposed or other restrictions.

	2022	2021
Financial assets at end of year	\$ 743,811	\$ 477,244
Less those unavailable for general expenditures within one year:		
Restricted by donor with purpose restrictions	(385,139)	(27,538)
Financial assets available to meet cash needs for general expenditures within one year	\$ 358,672	\$ 449,706

LPP is, in part, supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, LPP must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of LPP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**LEGAL PRIORITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 5—LEASES

LPP entered into an operating lease agreement for office space in March 2022 that expires in July 2023 and requires monthly payments of \$4,200. Total operating lease expense for the year ended December 31, 2022 totaled \$37,800. There are no variable lease components associated with LPP's lease.

Other information related to leases are as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of operating lease liability	
Operating cash flows from operating leases	\$ 33,600
Right-of-use assets obtained in exchange for new operating lease liability	62,674
Weighted average remaining lease term	
Operating lease	0.58 years
Weighted average discount rate	
Operating lease	0.78%

The maturities of operating lease liabilities as of December 31, 2022 are \$29,400 for the year ending December 31, 2023, of which \$57 represents interest.