

# **Brooklyn Defender Services**

Independent Auditor's Report and Combined Financial Statements

June 30, 2020



# Brooklyn Defender Services

June 30, 2020

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## Independent Auditor's Report

Board of Directors  
Brooklyn Defender Services  
Brooklyn, New York

We have audited the accompanying combined financial statements of Brooklyn Defender Services, which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Brooklyn Defender Services as of June 30, 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.

**Emphasis of Matter**

As described in *Note 2* to the combined financial statements, during the year ended June 30, 2020, Brooklyn Defender Services adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

**BKD, LLP**

New York, New York  
December 15, 2020

**Brooklyn Defender Services**  
**Combined Statement of Financial Position**  
**June 30, 2020**

**Assets**

Cash	\$ 1,079,472
Government contracts receivable, current	11,879,005
Prepaid expenses, other receivables and security deposits	1,105,118
Property and equipment, net	<u>1,094,268</u>
Total assets	<u><u>\$ 15,157,863</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 2,987,669
Accrued vacations payable	1,809,881
Line of credit	3,000,000
Deferred rent	<u>2,747,947</u>
Total liabilities	<u>10,545,497</u>

**Net Assets**

Without donor restrictions	4,079,802
With donor restrictions	<u>532,564</u>
Total net assets	<u>4,612,366</u>
Total liabilities and net assets	<u><u>\$ 15,157,863</u></u>

**Brooklyn Defender Services**  
**Combined Statement of Activities**  
**Year Ended June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues</b>			
Government contracts	\$ 59,348,473	\$ -	\$ 59,348,473
Contributions	1,135,671	818,241	1,953,912
Special events			
Revenues	\$ 40,947		
Direct costs	<u>(53,464)</u>	(12,517)	(12,517)
Other income	197,250	-	197,250
Net assets released from restriction	<u>857,666</u>	<u>(857,666)</u>	<u>-</u>
Total revenues	<u>61,526,543</u>	<u>(39,425)</u>	<u>61,487,118</u>
<b>Expenses</b>			
Program services			
Criminal Defense	35,077,760	-	35,077,760
Immigration	5,547,248	-	5,547,248
Family Defense	10,079,342	-	10,079,342
Civil	1,797,470	-	1,797,470
Youth and Communities	748,671	-	748,671
Young New Yorkers	<u>579,174</u>	<u>-</u>	<u>579,174</u>
Total program services	53,829,665	-	53,829,665
Supporting services			
Management and general	6,925,603	-	6,925,603
Fundraising	<u>105,053</u>	<u>-</u>	<u>105,053</u>
Total expenses	<u>60,860,321</u>	<u>-</u>	<u>60,860,321</u>
<b>Change in Net Assets</b>	666,222	(39,425)	626,797
<b>Net Assets, Beginning of Year</b>	<u>3,413,580</u>	<u>571,989</u>	<u>3,985,569</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 4,079,802</u></u>	<u><u>\$ 532,564</u></u>	<u><u>\$ 4,612,366</u></u>

# Brooklyn Defender Services

## Combined Statement of Functional Expenses

### Year Ended June 30, 2020

	Program Services						Supporting Services			Total	
	Criminal Defense	Immigration	Family Defense	Civil	Youth and Communities	Young New Yorkers	Total	Management and General	Fundraising		Direct Costs of Special Events
<b>Salaries and Related Expenses</b>											
Salaries	\$ 21,543,065	\$ 3,173,183	\$ 6,049,740	\$ 1,152,663	\$ 486,571	\$ 261,885	\$ 32,667,107	\$ 3,540,828	\$ -	\$ -	\$ 3,540,828
Payroll taxes and employee benefits	7,491,804	1,103,304	2,103,854	400,850	169,210	91,073	11,360,295	1,231,357	-	-	1,231,357
Total salaries and related expenses	29,034,869	4,276,687	8,153,594	1,553,513	655,781	352,958	44,027,402	4,772,185	-	-	4,772,185
<b>Other Costs</b>											
Professional fees	602,744	268,224	300,100	5,453	3,150	130,310	1,309,981	1,086,788	98,054	-	1,184,842
Occupancy	2,946,454	465,078	909,231	148,850	51,419	41,275	4,562,307	491,658	-	-	491,658
Repairs and maintenance	947,795	135,759	259,259	31,114	14,494	-	1,388,421	143,325	50	-	143,375
Office supplies	488,597	157,650	184,123	17,891	5,662	44,673	898,596	76,991	3,045	-	80,036
Communication	404,842	82,540	121,890	20,769	7,218	5,584	642,843	41,156	-	-	41,156
Insurance	50,164	7,268	13,981	2,640	1,115	600	75,768	106,732	-	-	106,732
Venues and entertainment	-	-	-	-	-	-	-	-	-	53,464	-
Depreciation and amortization	136,500	20,475	38,675	6,825	2,275	-	204,750	20,475	2,275	-	22,750
Miscellaneous expense (including \$73,352 of interest expense)	465,795	133,567	98,489	10,415	7,557	3,774	719,597	186,293	1,629	-	187,922
Total other costs	6,042,891	1,270,561	1,925,748	248,957	92,890	226,216	9,802,263	2,153,418	106,053	53,464	2,311,935
Total expenses	35,077,760	5,547,248	10,079,342	1,797,470	748,671	579,174	53,829,665	6,925,603	105,053	53,464	7,084,120
Less direct costs of special events	-	-	-	-	-	-	-	-	-	(53,464)	(53,464)
Total expenses reported by function on the statement of activities	\$ 35,077,760	\$ 5,547,248	\$ 10,079,342	\$ 1,797,470	\$ 748,671	\$ 579,174	\$ 53,829,665	\$ 6,925,603	\$ 105,053	\$ -	\$ 7,030,656
											\$ 60,860,321

**Brooklyn Defender Services**  
**Combined Statement of Cash Flows**  
**Year Ended June 30, 2020**

<b>Operating Activities</b>	
Change in net assets	\$ 626,797
Items not requiring (providing) operating cash flows	
Depreciation and amortization	227,500
Changes in	
Government contracts receivable	(2,049,752)
Prepaid expenses and security deposits	(183,331)
Accounts payable and accrued expenses	811,760
Accrued vacations payable	523,472
Deferred revenue	(415,889)
Deferred rent	<u>367,644</u>
Net cash used in operating activities	<u>(91,799)</u>
 <b>Financing Activities</b>	
Repayment of the line of credit	(13,500,000)
Drawdown on line of credit	<u>14,000,000</u>
Net cash provided by financing activities	<u>500,000</u>
 <b>Net Change in Cash</b>	 408,201
 <b>Cash, Beginning of Year</b>	 <u>671,271</u>
 <b>Cash, End of Year</b>	 <u><u>\$ 1,079,472</u></u>
 <b>Supplemental Cash Flows Information</b>	
Cash paid for interest	\$ 73,352



# **Brooklyn Defender Services**

## **Notes to Combined Financial Statements**

### **June 30, 2020**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Brooklyn Defender Services (the Organization) was incorporated on March 22, 1996 under the laws of the State of New York.

Brooklyn Defender Services is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509. The Organization commenced operations on June 1, 1996. The Organization provides legal services without cost to indigent people. During the current year, the Organization represented approximately 33,000 clients. Its primary source of revenues is government contracts (city and state) for indigent defense.

Young New Yorkers, Inc. was incorporated on September 26, 2014 under the laws of the State of New York.

Young New Yorkers, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Young New Yorkers, Inc.'s mission is to provide art-based diversion programs to court involved young people. Young New Yorkers, Inc. had no activity for the fiscal year ended June 30, 2020. Young New Yorkers, Inc. will start activities as a standalone organization by the end of fiscal year 2021.

##### ***Basis of Combination***

All material intercompany transactions and balances have been eliminated in combination.

##### ***Use of Estimates***

The preparation of combined financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Cash***

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$1,026,000. Management believes that credit risk related to these accounts is minimal.

##### ***Government Contract Revenue, Receivables and Advances***

Revenues from government contracts are recognized when reimbursable expenses are incurred or when performance goals are met under the terms of the contract. Contract revenues are subject to audit by the contracting agencies. No provision for any disallowances is reflected in the combined financial statements, since management does not anticipate any material adjustments. Revenue and receivables are recorded when earned. Advances are recorded for any deposits received but not earned.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

***Allowance for Doubtful Accounts***

The Organization determines whether an allowance for uncollectible accounts should be provided for contracts receivable. Such estimates are based on management's assessment of the aged basis of its contracts, current economic conditions, subsequent receipts and historical information. Contracts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2020, the Organization had no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	5-20 years
Leasehold improvements	10 years

***Long-Lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2020.

***Deferred Rent/Rent Expense***

Rent is recognized on the straight-line basis over the term of the lease. Deferred rent is recognized for the accumulated difference between the rent expense and the cash paid by the Organization.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor-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.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

# **Brooklyn Defender Services**

## **Notes to Combined Financial Statements**

### **June 30, 2020**

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the direct charge method as well as other methods.

#### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

#### **Note 2: Change in Accounting Principles**

##### ***ASU 2018-08 – Not-for-Profit Entities (Topic 958): Contributions***

During 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance required all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The adoption had no impact on the timing of recognition of grants and contributions and had no impact on beginning net assets for the year ended June 30, 2020.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Note 3: Contract Reimbursements Receivable and Future Commitments**

The Organization receives support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the combined financial statements of the Organization are prepared on the accrual basis, all earned portions of the contracts not yet received as of June 30, 2020, have been recorded as receivables. The following are the contracts commitments that extend beyond June 30, 2020:

Grant	Term	Grant Amount	Earned Through 2020	Funding Available
MOCJ - Criminal defense services	01/01/2019 - 12/31/2021	\$ 88,145,486	\$ 49,856,937	\$ 38,288,549
MOCJ - Family court legal services	01/01/2019 - 12/31/2021	<u>29,040,443</u>	<u>21,000,371</u>	<u>8,040,072</u>
Total		<u>\$ 117,185,929</u>	<u>\$ 70,857,308</u>	<u>\$ 46,328,621</u>

The funding agreements include certain clauses that allow them to be terminated in whole or in part by the funding agency as well as the Organization.

**Note 4: Grant Reimbursements Receivable and Future Commitments**

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the grant agreements. Since the combined financial statements of the Organization are prepared on the accrual basis, all portions of the grants not yet received as of June 30, 2020 where the Organization has an unconditional right to payment have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2020:

Grant	Term	Grant Amount	Earned Through 2020	Funding Available
New York State Unified Court System				
- Civil legal services	01/01/2017 - 12/31/2021	\$ 7,330,834	\$ 4,602,193	\$ 2,728,641
Other grants	04/01/2019 - 06/30/2022	<u>1,589,314</u>	<u>856,891</u>	<u>732,423</u>
Total		<u>\$ 8,920,148</u>	<u>\$ 5,459,084</u>	<u>\$ 3,461,064</u>

The grant agreements include certain clauses that allow them to be terminated in whole or in part by the granting agency as well as the Organization.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Note 5: Property and Equipment**

Property and equipment at June 30, 2020 consist of:

	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net</b>
Equipment and furniture	\$ 941,966	\$ 841,013	\$ 100,953
Leasehold improvements	2,266,339	1,273,024	993,315
	\$ 3,208,305	\$ 2,114,037	\$ 1,094,268

**Note 6: Leased Facilities**

The Organization leases space for its administrative office and program services at 177 Livingston Street, 180 Livingston Street, 195 Montague Street as well as 566 Livonia Street. Rent expense for the year ended June 30, 2020 was \$4,533,291. The leases expire at different periods through January 2030.

The minimum annual rental payments over the next five years and thereafter are as follows:

2020-2021	\$ 4,136,966
2021-2022	4,246,862
2022-2023	4,359,907
2023-2024	4,501,958
2024-2025	3,311,214
Thereafter	14,895,732
Total minimum lease payments	\$ 35,452,639

**Note 7: Line of Credit**

The Organization has a \$7,500,000 revolving line of credit expiring in June 2021. At June 30, 2020, there was \$3,000,000 borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate, which was 3.25 percent at June 30, 2020.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Note 8: Pension**

The Organization has a contributory-defined contribution 403(b) plan which covers all full-time employees. The employees can contribute up to the maximum allowed by the Internal Revenue Code. The amount contributed by the sponsor is within the Organization's discretion. On termination of service due to death, disability or retirement, participants are eligible for a lump-sum payment or annual installments over a ten-year period based on the vested amounts as per plan document. Pension expense for 2020 was \$1,773,861.

**Note 9: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at June 30 are restricted for the following purposes:

Subject to expenditure for specified purpose	
Affordable Housing	\$ 12,500
Civil Legal Advocacy	4,000
COVID-19 Response Fund	99,652
Education	50,000
Family Support Initiative	11,663
Fine & Fees Advocacy	163
Immigrant Support	152,557
Justice Catalyst Project	60,000
Know Your Rights	104,000
Public Defender Training	26,830
Right to Counsel	<u>11,199</u>
	<u>\$ 532,564</u>

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

Satisfaction or purpose restrictions		
Affordable Housing	\$	15,000
Civil Legal Advocacy		17,106
Community Outreach		5,000
COVID-19 Response Fund		28,565
Education		95,480
Family Support Initiative		36,250
Fellowship		47,500
Immigrant Support		108,436
Immigrant Litigation		37,500
Immigration Advocacy		25,000
Jail Services		25,000
Justice Catalyst Project		60,000
Know Your Rights		49,000
Public Defender Training		256,996
Veteran's Assistance		30,000
Youth Advocacy		20,833
		<u>20,833</u>
	\$	<u>857,666</u>

**Note 10: Significant Estimates and Concentrations**

***Revenues***

The Organization is dependent primarily on the City and State of New York for revenues and receivables.



**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Note 11: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020, comprise the following:

Financial assets	
Cash	\$ 1,079,472
Accounts receivable	<u>11,879,005</u>
Total financial assets	12,958,477
Donor-imposed restrictions	
Funds with donor restrictions	<u>(532,564)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 12,425,913</u>

The Organization manages its liquidity and reserves the following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Additionally, the Organization has a line of credit available of up to \$7,500,000 for which they can draw for general expenditures.

**Note 12: Subsequent Events**

Subsequent events have been evaluated through December 15, 2020, which is the date the combined financial statements were available to be issued.

**Brooklyn Defender Services**  
**Notes to Combined Financial Statements**  
**June 30, 2020**

**Note 13: Future Change in Accounting Principle**

***Revenue Recognition***

FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for the Organization's annual period beginning after December 15, 2019. The Organization is in the process of evaluating the impact the amendment will have on the combined financial statements.

***Accounting for Leases***

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 for nonpublic entities and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

## **Supplemental Information**

**Brooklyn Defender Services**  
**Schedule of Financial Position Information for Young New Yorkers Program**  
**June 30, 2020**

**Assets**

Cash	\$	356,735
Government contracts receivable, current		273,081
Prepaid expenses and security deposits		<u>13,025</u>
Total assets	\$	<u><u>642,841</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$	<u>46,798</u>
Total liabilities		<u>46,798</u>

**Net Assets**

Without donor restrictions		596,043
With donor restrictions		<u>-</u>
Total net assets		<u>596,043</u>
Total liabilities and net assets	\$	<u><u>642,841</u></u>

**Brooklyn Defender Services**  
**Schedule of Activities Information for Young New Yorkers Program**  
**Year Ended June 30, 2020**

<b>Revenues</b>	
Government contracts	\$ 703,961
Contributions	512,695
Other income	<u>350</u>
Total revenues	<u>1,217,006</u>
<b>Expenses</b>	
Program services	579,174
Supporting services	
Management and general	<u>101,508</u>
Total expenses	<u>680,682</u>
<b>Change in Net Assets</b>	536,324
<b>Net Assets, Beginning of Year</b>	<u>59,719</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 596,043</u></u>