

**LATINOJUSTICE PRLDEF  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022  
(with comparative information for the  
year ended June 30, 2021)**

**LATINOJUSTICE PRLDEF**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**(with comparative information for the year ended June 30, 2021)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
LatinoJustice PRLDEF

### Opinion

We have audited the accompanying financial statements of LatinoJustice PRLDEF (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of LatinoJustice PRLDEF as of June 30, 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. 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 LatinoJustice PRLDEF and to meet our other 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.

### Emphasis of Matter

As discussed in Note 17 to the financial statements, in March 2023, the shut-down of certain financial institutions raised economic concerns over the disruption to the U.S. banking system. Given the uncertainty of the situation, the related financial statement impact cannot be reasonably estimated at this time. 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.

## **Responsibilities of Management for the Financial Statements (Continued)**

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 LatinoJustice PRLDEF'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 LatinoJustice PRLDEF'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 LatinoJustice PRLDEF'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 LatinoJustice PRLDEF's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
March 24, 2023

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**LATINOJUSTICE PRLDEF**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
(with comparative information for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents:		
Cash available for use in operations	\$ 681,422	\$ 1,624,835
Certificates of deposit	<u>4,000,000</u>	<u>3,500,000</u>
Total cash and cash equivalents	4,681,422	5,124,835
Investments	8,353,977	9,612,854
Contributions and other receivables, net	1,337,450	2,039,378
Prepaid expenses and other assets	182,137	127,046
Property and equipment, net	<u>1,893,219</u>	<u>2,169,705</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,448,205</u></b>	<b><u>\$ 19,073,818</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 538,342	\$ 334,881
Refundable advance - Paycheck Protection Program (Note 16)	-	107,727
Other liabilities	<u>39,317</u>	<u>38,248</u>
Total liabilities	<u>577,659</u>	<u>480,856</u>
Commitments and contingencies (Notes 11, 16 and 17)		
Net assets:		
Without donor restrictions:		
Operating fund	7,791,367	8,439,629
Board-designated operating reserve	<u>4,482,257</u>	<u>5,396,414</u>
Total net assets without donor restrictions	12,273,624	13,836,043
With donor restrictions	<u>3,596,922</u>	<u>4,756,919</u>
Total net assets	<u>15,870,546</u>	<u>18,592,962</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,448,205</u></b>	<b><u>\$ 19,073,818</u></b>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(with summarized comparative financial information for the year ended June 30, 2021)

	<u>2022</u>					<u>2021</u>
	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>	<u>Total</u>	<u>Summarized Total</u>
	<u>Operating Fund</u>	<u>Board-Designated Operating Reserve</u>	<u>Total</u>			
Support and revenue:						
Contributions	\$ 439,361	\$ -	\$ 439,361	\$ 2,546,281	\$ 2,985,642	\$ 7,166,726
Grant revenue (Note 16)	501,184	-	501,184	-	501,184	580,515
Event revenue, net of direct donor benefits of \$52,704 in 2022 and \$72,700 in 2021	556,274	-	556,274	-	556,274	493,274
Donated services	118,423	-	118,423	-	118,423	91,861
Legal fees recovered, net	82,500	-	82,500	-	82,500	240,750
Education fees for service	19,125	-	19,125	-	19,125	23,855
Interest and dividend income	122,011	124,977	246,988	-	246,988	164,292
Net appreciation (depreciation) of investments	(715,926)	(794,349)	(1,510,275)	-	(1,510,275)	1,206,872
Net assets released from donor restrictions and designations	<u>3,951,063</u>	<u>(244,785)</u>	<u>3,706,278</u>	<u>(3,706,278)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,074,015</u>	<u>(914,157)</u>	<u>4,159,858</u>	<u>(1,159,997)</u>	<u>2,999,861</u>	<u>9,968,145</u>
Expenses:						
Program services:						
Litigation	2,662,482	-	2,662,482	-	2,662,482	2,394,499
Education	355,457	-	355,457	-	355,457	315,204
Advocacy, community outreach and communications	<u>1,570,385</u>	<u>-</u>	<u>1,570,385</u>	<u>-</u>	<u>1,570,385</u>	<u>1,076,558</u>
Total program services	<u>4,588,324</u>	<u>-</u>	<u>4,588,324</u>	<u>-</u>	<u>4,588,324</u>	<u>3,786,261</u>
Supporting services:						
Administrative and general	549,664	-	549,664	-	549,664	624,696
Development	<u>584,289</u>	<u>-</u>	<u>584,289</u>	<u>-</u>	<u>584,289</u>	<u>316,885</u>
Total supporting services	<u>1,133,953</u>	<u>-</u>	<u>1,133,953</u>	<u>-</u>	<u>1,133,953</u>	<u>941,581</u>
Total expenses	<u>5,722,277</u>	<u>-</u>	<u>5,722,277</u>	<u>-</u>	<u>5,722,277</u>	<u>4,727,842</u>
Changes in net assets	(648,262)	(914,157)	(1,562,419)	(1,159,997)	(2,722,416)	5,240,303
Net assets - beginning	<u>8,439,629</u>	<u>5,396,414</u>	<u>13,836,043</u>	<u>4,756,919</u>	<u>18,592,962</u>	<u>13,352,659</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 7,791,367</u>	<u>\$ 4,482,257</u>	<u>\$ 12,273,624</u>	<u>\$ 3,596,922</u>	<u>\$ 15,870,546</u>	<u>\$ 18,592,962</u>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(with summarized comparative financial information for the year ended June 30, 2021)

	2022								2021	
	Program Services				Supporting Services				Summarized Total	
	Litigation	Education	Advocacy, Community Outreach and Communications	Total Program Services	Administrative and General	Development	Total Supporting Services	Direct Benefit to Donors		Total
Salaries and benefits	\$1,894,728	\$ 255,116	\$ 993,318	\$ 3,143,162	\$ 403,298	\$ 367,371	\$ 770,669	\$ -	\$ 3,913,831	\$ 3,079,582
Occupancy	133,025	16,881	100,511	250,417	21,935	22,750	44,685	-	295,102	308,094
Professional fees	200,572	30,356	246,708	477,636	39,444	139,086	178,530	-	656,166	494,983
Telephone	11,118	1,683	8,839	21,640	2,186	2,268	4,454	-	26,094	28,091
Office	3,794	574	3,017	7,385	746	774	1,520	-	8,905	13,715
Non-capital equipment	60,219	9,224	42,572	112,015	8,032	10,821	18,853	-	130,868	84,769
Publications	29,399	991	5,204	35,594	1,287	1,335	2,622	-	38,216	35,330
Expert fees and court costs	21,780	-	-	21,780	-	-	-	-	21,780	24,013
Travel, conferences, meetings and other miscellaneous	37,083	15,133	32,271	84,487	7,056	7,318	14,374	30,030	128,891	167,023
Marketing and cultivation	29,305	4,435	28,316	62,056	5,763	5,977	11,740	22,674	96,470	145,075
Bad debt	-	-	-	-	34,281	-	34,281	-	34,281	25,000
Depreciation	130,359	19,730	103,640	253,729	25,636	26,589	52,225	-	305,954	303,006
Donated services	<u>111,100</u>	<u>1,334</u>	<u>5,989</u>	<u>118,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,423</u>	<u>91,861</u>
	2,662,482	355,457	1,570,385	4,588,324	549,664	584,289	1,133,953	52,704	5,774,981	4,800,542
Less: expenses included with event revenue on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,704</u>	<u>52,704</u>	<u>72,700</u>
<b>TOTAL EXPENSES</b>	<u>\$2,662,482</u>	<u>\$ 355,457</u>	<u>\$ 1,570,385</u>	<u>\$ 4,588,324</u>	<u>\$ 549,664</u>	<u>\$ 584,289</u>	<u>\$ 1,133,953</u>	<u>\$ -</u>	<u>\$ 5,722,277</u>	<u>\$ 4,727,842</u>

See accompanying notes to financial statements.



**LATINOJUSTICE PRLDEF  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022  
(with comparative information for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (2,722,416)	\$ 5,240,303
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	305,954	303,006
Bad debt expense	34,281	25,000
Donated securities	-	(4,833)
Net unrealized loss (gain) on investments	1,510,275	(1,206,872)
Changes in operating assets and liabilities:		
Contributions and other receivables	667,647	(1,381,553)
Prepaid expenses and other assets	(55,091)	(37,594)
Accounts payable and accrued expenses	203,461	(45,191)
Refundable advance - Paycheck Protection Program	(107,727)	(39,424)
Other liabilities	<u>1,069</u>	<u>14,075</u>
Net cash provided by (used in) operating activities	<u>(162,547)</u>	<u>2,866,917</u>
Cash flows from investing activities:		
Purchases of property and equipment	(29,468)	-
Proceeds from sales of investments	3,650,796	2,082,998
Purchases of investments	<u>(3,902,194)</u>	<u>(5,291,357)</u>
Net cash used in investing activities	<u>(280,866)</u>	<u>(3,208,359)</u>
Net decrease in cash and cash equivalents	(443,413)	(341,442)
Cash and cash equivalents - beginning	<u>5,124,835</u>	<u>5,466,277</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 4,681,422</u></b>	<b><u>\$ 5,124,835</u></b>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

LatinoJustice PRLDEF (the "Organization") is a national civil rights organization. The Organization was founded in 1972 to protect the civil and human rights of Puerto Ricans and the wider Latino community and to ensure their equal protection under the law.

The Organization accomplishes its mission through litigation, education, advocacy, and leadership development programs. The Organization is also involved in non-litigation activities and works in coalitions to tackle the very serious social and economic conditions plaguing Latinos.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Financial Statements

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

*Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The board of directors established an operating reserve to provide an internal source of funds to serve as reserves for programs and operations.

*Net Assets with Donor Restrictions* - Net assets 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and reported in the accompanying statement of activities as "Net assets released from donor restrictions and designations."

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization incurs expenses that directly relate to and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. For the years ended June 30, 2022 and 2021, salaries and employee benefits are based on estimates of time and effort incurred by personnel. For the years ended June 30, 2022

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses (Continued)

and 2021, occupancy, professional fees, telephone, office, non-capital equipment, publications, travel, conferences, meetings and other miscellaneous, and depreciation expenses which are not specifically attributable to a specific program or supporting activity, were allocated by management on a consistent basis among program and supporting services benefited, based on direct cost or employee headcount and square footage, respectively.

Revenue Recognition

The Organization derives revenue and support primarily from grants, contributions, legal fees recovered, program fees and event revenue.

*Grants and Contributions*

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Grants and contributions received with donor-imposed or grantor-imposed restrictions that are fulfilled in the same year as received are reported as support without donor restrictions.

Revenue from cost-reimbursement grants is recognized when the Organization has expended the program costs in accordance with the grant agreements. Revenue from this source is subject to audits and possible adjustments by the funding agencies. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effect of audit adjustments, if any, will not have a material effect on the accompanying financial statements and related disclosures.

*Event, Legal Fees and Program Revenue*

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Program services are offered by the Organization throughout the course of the year. Revenues from these services are recognized over the period the services are rendered. Legal fees recovered are recognized when the Organization is the prevailing party, and

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (Continued)

*Event, Legal Fees and Program Revenue (Continued)*

at the point the court enters a final judgment or approves settlement; or the parties settle out of court. Event revenue is recognized over the period the event takes place.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Recently Adopted Accounting Pronouncements

*Contributed nonfinancial assets*

In September 2020, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). ASU 2020-07 increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Organization adopted ASU 2020-07 as of July 1, 2021, and has determined that the application of ASU 2020-07 did not have a material impact on the Organization's financial statements and related disclosures.

Accounting Pronouncements Issued but not yet Effective

*Leases*

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with terms greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to lease arrangements. In July 2018, FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Organization to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening statement of financial position. In November 2019, FASB issued ASU No. 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. ASU No. 2019-10, amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2020. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606), and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for an optional election to defer the effective date for

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounting Pronouncements Issued but not yet Effective (Continued)

*Leases (Continued)*

Topic 842 and related amendments for an additional year. Entities may elect to adopt the guidance on the adoption of Topic 842 for annual reporting periods beginning after December 15, 2021. The Organization has determined to defer Topic 842 and is evaluating the impact this new guidance will have on its financial statements and related disclosures.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents are certificates of deposit which earn interest at an annual rate of 0.25% and mature monthly. The carrying value of the certificates of deposit at June 30, 2022 and 2021, approximated fair value.

Investments

Investments are reported at fair value. Fair value is 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. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. The earnings from interest and dividends are recognized when earned. Net appreciation (depreciation) includes the Organization's gains and losses on investments bought and sold, as well as held, during the year.

Fair Value Measurement

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Measurement (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and Equipment

The Organization's policy is to capitalize property and equipment of \$5,000 or more. Maintenance and repairs are expensed as incurred. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of these assets, which ranges from five to 10 years. Leasehold improvements are depreciated over the lesser of the asset's useful life or the term of the lease. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in the accompanying statement of activities.

Long-lived assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell, but are not depreciated.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for impairment in accordance with the guidelines of FASB ASC 360, *Property, Plant and Equipment*, whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Organization assess recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Organization determines that the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value. There were no impairment charges recognized during the years ended June 30, 2022 and 2021.

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(with comparative information for the year ended June 30, 2021)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Securities, Goods and Services

Donated securities and goods are reported at their fair values as determined on the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the year ended June 30, 2022, \$118,423 in donated services was received and recognized in the accompanying statement of activities, as these services would have been retained or paid for if they were not donated. Donations of legal services are valued at the number of hours worked and hourly rate charged by the law firm for services performed.

From time to time, various law firms, including those related to board members, provide legal services to the Organization's clients on a pro-bono basis. Although these services are used by the Organization to carry out its mission, including the delivery of legal services to protect the civil rights of the Latino community at large, the Organization's management has indicated that it would not purchase the services if they were not donated. Instead, the Organization would reduce the number of individuals served or modify the services provided. Accordingly, the value of such donated legal services has not been reflected in the accompanying financial statements. By contrast, on occasion such law firms provide legal services directly to the Organization on a pro-bono basis. The value of such legal services donated directly to the Organization are reflected in the accompanying financial statements.

Prior-Year Summarized Comparative Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which this summarized information was derived.

Income Tax Status

The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under this guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

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(with comparative information for the year ended June 30, 2021)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through March 24, 2023, the date on which these financial statements were available to be issued. Except as disclosed in Note 17, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets as of June 30, 2022:

Cash and cash equivalents	\$	4,681,422
Investments		8,353,977
Contributions and other receivables, net		1,337,450
Total financial assets at year end		14,372,849
Less: amounts not available to be used within one year:		
Donor-restricted funds not available to support next year's operations		1,262,917
Board-designated funds, net of board-approved appropriations for next year's operations		4,276,602
Financial assets available to meet general expenditures within one year of the statement of financial position date	\$	8,833,330

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, excess cash is invested in short-term investments, including stock, mutual funds, exchange-traded funds, bonds and asset-backed securities. Board-designated funds totaling \$4,276,602 are available to the Organization for operations with board approval.

**NOTE 4. CONTRIBUTIONS AND OTHER RECEIVABLES**

As of June 30, 2022 and 2021, contributions and other receivables are due as follows:

	2022		2021
Receivable in less than one year	\$ 1,376,555	\$	2,077,013
Less: allowance for uncollectible contributions and other receivables	39,105		37,635
Contributions and other receivables, net	\$ 1,337,450	\$	2,039,378

Approximately 72% of the Organization's receivables was derived from one institutional donor as of June 30, 2022. As of June 30, 2021, 88% of the Organization's receivables was derived from two institutional donors.

Based on management's experience, the aging of contributions and other receivables, subsequent receipts and current economic conditions, \$39,105 and \$37,635 have been reserved for collections of contributions and other receivables for the years ended June 30, 2022 and 2021, respectively.



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**NOTE 5. FAIR VALUE MEASUREMENTS**

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Organization's assets measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy as of June 30, 2022 and 2021:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2022	Valuation Technique
Common stocks:					
Basic materials	\$ 114,276	\$ -	\$ -	\$ 114,276	(a)
Communication services	94,314	-	-	94,314	(a)
Consumer cyclical	207,490	-	-	207,490	(a)
Consumer defensive	132,626	-	-	132,626	(a)
Financial services	287,075	-	-	287,075	(a)
Healthcare	400,537	-	-	400,537	(a)
Industrials	315,300	-	-	315,300	(a)
Real estate	78,196	-	-	78,196	(a)
Technology	268,960	-	-	268,960	(a)
Utilities	<u>24,660</u>	<u>-</u>	<u>-</u>	<u>24,660</u>	(a)
Total common stocks	<u>1,923,434</u>	<u>-</u>	<u>-</u>	<u>1,923,434</u>	
Bonds:					
Foreign	1,899	-	-	1,899	(a)
Municipal	40,747	-	-	40,747	(a)
U.S. corporate	276,245	-	-	276,245	(a)
U.S. government	<u>143,532</u>	<u>-</u>	<u>-</u>	<u>143,532</u>	(a)
Total bonds	<u>462,423</u>	<u>-</u>	<u>-</u>	<u>462,423</u>	
Exchange-traded funds	<u>3,658,535</u>	<u>-</u>	<u>-</u>	<u>3,658,535</u>	(a)
Mutual funds	<u>1,294,132</u>	<u>-</u>	<u>-</u>	<u>1,294,132</u>	(a)
Government asset-backed/CMO securities	<u>-</u>	<u>242,875</u>	<u>-</u>	<u>242,875</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>772,578</u>	<u>772,578</u>	(c)
Total investments	<u>\$ 7,338,524</u>	<u>\$ 242,875</u>	<u>\$ 772,578</u>	<u>\$ 8,353,977</u>	

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(with comparative information for the year ended June 30, 2021)

**NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)**

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2021	Valuation Technique
Common stocks:					
Basic materials	\$ 115,710	\$ -	\$ -	\$ 115,710	(a)
Communication services	124,292	-	-	124,292	(a)
Consumer cyclical	242,023	-	-	242,023	(a)
Consumer defensive	183,794	-	-	183,794	(a)
Energy	28,318	-	-	28,318	(a)
Financial services	361,331	-	-	361,331	(a)
Healthcare	437,272	-	-	437,272	(a)
Industrials	394,065	-	-	394,065	(a)
Real estate	130,158	-	-	130,158	(a)
Technology	373,964	-	-	373,964	(a)
Utilities	<u>66,445</u>	<u>-</u>	<u>-</u>	<u>66,445</u>	(a)
Total common stocks	<u>2,457,372</u>	<u>-</u>	<u>-</u>	<u>2,457,372</u>	
Bonds:					
Foreign	15,774	-	-	15,774	(a)
Municipal	50,119	-	-	50,119	(a)
U.S. corporate	360,795	-	-	360,795	(a)
U.S. government	<u>74,746</u>	<u>-</u>	<u>-</u>	<u>74,746</u>	(a)
Total bonds	<u>501,434</u>	<u>-</u>	<u>-</u>	<u>501,434</u>	
Exchange-traded funds	<u>4,339,901</u>	<u>-</u>	<u>-</u>	<u>4,339,901</u>	(a)
Mutual funds	<u>1,491,247</u>	<u>-</u>	<u>-</u>	<u>1,491,247</u>	(a)
Government asset-backed/CMO securities	<u>-</u>	<u>250,041</u>	<u>-</u>	<u>250,041</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>572,859</u>	<u>572,859</u>	(c)
Total investments	<u>\$ 8,789,954</u>	<u>\$ 250,041</u>	<u>\$ 572,859</u>	<u>\$ 9,612,854</u>	

The following are descriptions of the valuation methodologies used for assets measured at fair value:

*Common stocks:* valued based on quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers.

*Bonds:* valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Exchange-traded funds:* valued at quoted market prices, which represent the net asset value of the securities held in such funds.

*Mutual funds:* valued at quoted market prices, which represent the net asset value of the securities held in such funds.

*Government asset-backed/CMO securities:* valued using pricing models maximizing the use of observable inputs for similar securities.

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**NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)**

*Glide Fund Series LLC*: valued at the Organization's share of the investments of the Glide Fund Series pooled investments as reported by the Glide Fund Series LLC and its investment managers and advisors. Redemptions can be quarterly, with 45-day redemption notice period. There is a one-year lockup redemption requirement and there are no unfunded commitments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2022 and 2021, the following table sets forth the changes in Level 3 investments:

	2022	2021
Balance - beginning	\$ 572,859	\$ 528,370
Purchases	165,000	-
Interest and dividends	43,217	47,841
Investment management fees	(8,498)	(3,352)
Balance - ending	\$ 772,578	\$ 572,859

**NOTE 6. PROPERTY AND EQUIPMENT**

As of June 30, 2022 and 2021, property and equipment, at cost, consisted of the following:

	2022	2021
Leasehold improvements	\$ 2,441,981	\$ 2,441,981
Furniture, fixtures and equipment	416,802	387,334
	2,858,783	2,829,315
Less: accumulated depreciation	965,564	659,610
Property and equipment, net	\$ 1,893,219	\$ 2,169,705

Depreciation expense was \$305,954 and \$303,006 for the years ended June 30, 2022 and 2021, respectively.

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**NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS**

For the year ended June 30, 2022, net assets with donor restrictions were released from donor restrictions either due to the Organization meeting the donor requirements by providing program services, or by the lapse of a time restriction:

Immigrant Justice	\$ 98,859
Racial Justice	109,324
Voting Rights	1,127,105
Criminal Justice Reform	809,173
Economic Justice	11,400
Time Restricted	<u>1,550,417</u>
	<u>\$ 3,706,278</u>

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions available for program services at June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Immigrant Justice	\$ 39,599	\$ 24,638
Voting Rights	577,605	385,750
Racial Justice	140,676	-
Criminal Justice Reform	218,875	618,048
Economic Justice	-	6,400
Time Restricted	2,608,166	3,677,083
CAP Leadership Institute	-	45,000
Other	<u>12,001</u>	<u>-</u>
	<u>\$ 3,596,922</u>	<u>\$ 4,756,919</u>

**NOTE 9. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of insured amounts, and investments.

Cash, cash equivalents, and investment balances at the brokerage firm are insured up to either \$250,000 by the Federal Deposit Insurance Corporation or \$500,000 by Securities Investor Protection Corporation. The Organization has not experienced any losses in such accounts.

For the year ended June 30, 2022, two institutional donors accounted for approximately 40% of total contributions and 42% of total support and revenue. For the year ended June 30, 2021, one institutional donor accounted for approximately 61% of total contributions and 45% of total support and revenue.

**NOTE 10. MARKETING AND CULTIVATION**

The Organization uses marketing and cultivation services to promote its programs among the audiences it serves. The costs of marketing and cultivation are expensed as incurred. During the years ended June 30, 2022 and 2021, marketing and cultivation costs totaled \$96,470 and \$145,075, respectively.

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**NOTE 11. COMMITMENTS AND CONTINGENCIES**

Operating Leases - Office Space

The Organization leases office space under operating leases in New York City and Florida which will expire through September 2028. Future minimum lease payments for the operating leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 228,894
2024	213,152
2025	212,916
2026	216,642
2027	220,433
Thereafter	<u>280,850</u>
	<u>\$ 1,372,887</u>

Rent expense for the years ended June 30, 2022 and 2021, amounted to \$222,963 and \$235,184, respectively.

Operating Lease - Equipment

The Organization has an operating lease for office equipment, which expires on April 30, 2023. Future minimum lease payments due through the termination of the lease is \$9,586.

Equipment lease expense for the years ended June 30, 2022 and 2021, amounted to \$12,657 and \$12,544, respectively.

**NOTE 12. COLLECTIVE BARGAINING AGREEMENT**

The Organization negotiated a collective bargaining agreement with the LatinoJustice PRLDEF Staff Association, NOLSW, Local 2320, UAW, AFL-CIO, covering certain of its professional employees, which expired on June 30, 2022. As of the date of these financial statements, the Organization is still in negotiations to finalize an updated collective bargaining agreement. At June 30, 2022, the Organization had a total of 39 employees, of which approximately 50% are represented by the union.

**NOTE 13. EMPLOYEE BENEFIT PLAN**

The Organization maintains a 403(b) plan covering all eligible employees. During the years ended June 30, 2022 and 2021, the Organization made contributions to the plan amounting to \$96,654 and \$54,591, respectively, which are included in "Salaries and benefits" in the accompanying statement of functional expenses.

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**NOTE 14. BOARD-DESIGNATED OPERATING RESERVE**

The activity of the board-designated operating reserve for the years ended June 30, 2022 and 2021, was as follows:

	2022	2021
Balance - beginning of year	\$ 5,396,414	\$ 4,709,432
Add:		
Pro-rata investment earnings (loss)	(669,372)	900,326
Sub-total	4,727,042	5,609,758
Less:		
NYC occupancy payments	207,815	213,344
Advisory fees	36,970	-
Sub-total	244,785	213,344
Balance - end of year	\$ 4,482,257	\$ 5,396,414

The board of directors of the Organization designated these reserves to be used for New York City lease and other occupancy commitments.

**NOTE 15. RELATED-PARTY TRANSACTIONS**

As part of carrying out its mission, the Organization and its clients received pro-bono legal services for the years ended June 30, 2022 and 2021, of \$18,053 and \$219,547, respectively, from various law firms related to board members. As disclosed in Note 2 in "Donated Securities, Goods and Services," these amounts have not been reflected in the accompanying financial statements, except for \$4,990 for the year ended June 30, 2022, because management has indicated that it would not have purchased these services if they were not donated.

**NOTE 16. PAYCHECK PROTECTION PROGRAM**

On April 22, 2020, under the Paycheck Protection Program (the "PPP"), the Organization received loan proceeds of \$562,130 ("PPP 1"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loan to be eligible for forgiveness.

In May 2021, the Organization received additional PPP loan proceeds of \$482,000 ("PPP 2"). The PPP 2 loan matures five years from the date of first disbursement of proceeds to the Organization (the "PPP 2 Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first 10 months after the last day of the covered period and are payable in equal consecutive monthly installments of principal and interest commencing upon the expiration of the deferral period of the PPP 2 Loan Date.

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**NOTE 16. PAYCHECK PROTECTION PROGRAM (CONTINUED)**

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Organization recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Organization deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program.

During the years ended June 30, 2022 and 2021, the Organization recognized \$107,727 and \$521,424, respectively, in grant revenue under the PPP loan program, which is included in "Grant revenue" in the accompanying statement of activities. As of June 30, 2022 and 2021, \$- and \$107,727, respectively, is included in "Refundable advances" in the accompanying statement of financial position related to the PPP loan program.

The Organization applied for PPP 1 loan forgiveness and received approval from the Small Business Administration ("SBA") in March 2021. The Organization applied for PPP 2 loan forgiveness and received approval from the SBA in June 2022. If it is determined that the Organization was not eligible to receive the PPP loan or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

**NOTE 17. RECENT EVENTS RELATING TO THE DISRUPTION IN THE U.S. BANKING SYSTEM**

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system. However, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy which may limit access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 9, the Organization maintains cash amounts in excess of federally insured limits in the aggregate amount of approximately \$102,627, as of June 30, 2022, and has certain concentrations in credit risk that expose the Organization to risk of loss if the counterparty is unable to perform as a result of future disruptions in the U.S. banking system or economy. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.