LATINOJUSTICE PRLDEF

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023
(with comparative information for the year ended June 30, 2022)

LATINOJUSTICE PRLDEF
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative information for the year ended June 30, 2022)

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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, 2023, 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, 2023, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, LatinoJustice PRLDEF adopted Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective method. 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP

Braintree, Massachusetts
January 24, 2024

LATINOJUSTICE PRLDEF
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(with comparative information for the year ended June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents:		
Cash available for use in operations	$ 991,530	$ 681,422
Certificates of deposit	500,000	4,000,000
Total cash and cash equivalents	1,491,530	4,681,422
Investments	8,633,127	8,353,977
Contributions and other receivables, net	1,021,038	1,337,450
Prepaid expenses and other assets	114,730	182,137
Property and equipment, net	1,584,317	1,893,219
Operating lease right-of-use assets	977,576	-
TOTAL ASSETS	$ 13,822,318	$ 16,448,205
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 637,325	$ 538,342
Other liabilities	29,864	39,317
Operating lease liabilities	1,001,219	-
Total liabilities	1,668,408	577,659
Commitments and contingencies (Notes 11 and 16)		
Net assets:		
Without donor restrictions:		
Operating fund	5,619,277	7,791,367
Board-designated operating reserve	4,648,589	4,482,257
Total net assets without donor restrictions	10,267,866	12,273,624
With donor restrictions	1,886,044	3,596,922
Total net assets	12,153,910	15,870,546
TOTAL LIABILITIES AND NET ASSETS	$ 13,822,318	$ 16,448,205

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(with summarized comparative financial information for the year ended June 30, 2022)

	2023					2022
	Without Donor Restrictions					
	Operating Fund	Board-Designated Operating Reserve	Total	With Donor Restrictions	Total	Summarized Total
Support and revenue:						
Contributions	$ 356,272	$ -	$ 356,272	$ 1,288,547	$ 1,644,819	$ 2,985,642
Grant revenue (Note 16)	471,058	-	471,058	-	471,058	501,184
Event revenue, net of direct donor benefits of $279,718 in 2023 and $52,704 in 2022	1,224,417	-	1,224,417	-	1,224,417	556,274
Donated services	2,429,452	-	2,429,452	-	2,429,452	118,423
Legal fees recovered, net	111,258	-	111,258	-	111,258	82,500
Education fees for service	16,825	-	16,825	-	16,825	19,125
Interest and dividend income	160,102	170,380	330,482	-	330,482	246,988
Net appreciation (depreciation) of investments	211,519	234,786	446,305	-	446,305	(1,510,275)
Net assets released from donor restrictions and designations	3,238,259	(238,834)	2,999,425	(2,999,425)	-	-
Total support and revenue	8,219,162	166,332	8,385,494	(1,710,878)	6,674,616	2,999,861
Expenses:						
Program services:						
Litigation	6,024,516	-	6,024,516	-	6,024,516	2,662,482
Education	551,858	-	551,858	-	551,858	355,457
Advocacy, community outreach and communications	2,271,379	-	2,271,379	-	2,271,379	1,570,385
Total program services	8,847,753	-	8,847,753	-	8,847,753	4,588,324
Supporting services:						
Administrative and general	377,995	-	377,995	-	377,995	549,664
Development	1,165,504	-	1,165,504	-	1,165,504	584,289
Total supporting services	1,543,499	-	1,543,499	-	1,543,499	1,133,953
Total expenses	10,391,252	-	10,391,252	-	10,391,252	5,722,277
Changes in net assets	(2,172,090)	166,332	(2,005,758)	(1,710,878)	(3,716,636)	(2,722,416)
Net assets - beginning	7,791,367	4,482,257	12,273,624	3,596,922	15,870,546	18,592,962
NET ASSETS - ENDING	$ 5,619,277	$ 4,648,589	$ 10,267,866	$ 1,886,044	$ 12,153,910	$ 15,870,546

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(with summarized comparative financial information for the year ended June 30, 2022)

	2023									2022
	Program Services				Supporting Services					
	Litigation	Education	Advocacy, Community Outreach and Communications	Total Program Services	Administrative and General	Development	Total Supporting Services	Direct Benefit to Donors	Total	Summarized Total
Salaries and benefits	$2,896,065	$ 417,562	$ 1,421,233	$ 4,734,860	$ 293,131	$ 881,492	$ 1,174,623	$ -	$ 5,909,483	$ 3,913,831
Occupancy	157,406	21,089	88,905	267,400	12,209	36,741	48,950	-	316,350	295,102
Professional fees	222,629	13,965	446,221	682,815	7,980	144,412	152,392	-	835,207	656,166
Telephone	14,785	2,112	8,449	25,346	1,207	3,621	4,828	-	30,174	26,094
Office	5,529	790	3,160	9,479	451	1,354	1,805	-	11,284	8,905
Non-capital equipment	71,027	10,147	40,587	121,761	5,798	17,394	23,192	-	144,953	130,868
Publications	23,719	3,388	13,553	40,660	1,936	5,809	7,745	-	48,405	38,216
Expert fees and court costs	30,214	-	-	30,214	-	-	-	-	30,214	21,780
Travel, conferences, meetings and other miscellaneous	92,735	27,336	88,319	208,390	7,946	24,559	32,505	246,195	487,090	128,891
Marketing and cultivation	27,099	3,871	15,485	46,455	2,212	6,636	8,848	33,523	88,826	96,470
Bad debt	-	-	-	-	30,629	-	30,629	-	30,629	34,281
Depreciation	151,362	21,623	86,492	259,477	12,357	37,068	49,425	-	308,902	305,954
Donated services	2,331,946	29,975	58,975	2,420,896	2,139	6,418	8,557	-	2,429,453	118,423
	6,024,516	551,858	2,271,379	8,847,753	377,995	1,165,504	1,543,499	279,718	10,670,970	5,774,981
Less: expenses included with event revenue on the statement of activities	-	-	-	-	-	-	-	279,718	279,718	52,704
TOTAL EXPENSES	$6,024,516	$ 551,858	$ 2,271,379	$ 8,847,753	$ 377,995	$ 1,165,504	$ 1,543,499	$ -	$10,391,252	$ 5,722,277

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative information for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Changes in net assets	$ (3,716,636)	$ (2,722,416)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	308,902	305,954
Bad debt expense	30,629	34,281
Non-cash lease expense	175,264	-
Net unrealized loss (gain) on investments	(446,305)	1,510,275
Changes in operating assets and liabilities:		
Contributions and other receivables	285,783	667,647
Prepaid expenses and other assets	67,407	(55,091)
Accounts payable and accrued expenses	98,983	203,461
Refundable advance - Paycheck Protection Program	-	(107,727)
Other liabilities	18,693	1,069
Operating lease liabilities	(179,767)	-
Net cash used in operating activities	(3,357,047)	(162,547)
Cash flows from investing activities:		
Purchases of property and equipment	-	(29,468)
Proceeds from sales of investments	2,430,144	3,650,796
Purchases of investments	(2,262,989)	(3,902,194)
Net cash provided by (used in) investing activities	167,155	(280,866)
Net decrease in cash and cash equivalents	(3,189,892)	(443,413)
Cash and cash equivalents - beginning	4,681,422	5,124,835
CASH AND CASH EQUIVALENTS - ENDING	$ 1,491,530	$ 4,681,422
Supplemental disclosure of noncash investing and financing activities:		
Operating lease liability and right-of-use assets recognized in connection with implementation of ASC 842 on July 1, 2022	$ 1,180,986	$ -

See accompanying notes to financial statements.

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. Salaries and employee benefits are based on estimates of time and effort incurred by personnel. Occupancy, professional fees, telephone, office, non-capital equipment,

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

publications, travel, conferences, meetings and other miscellaneous, and depreciation expenses which are not specifically attributable to a specific program or supporting activity, are 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Event, Legal Fees and Program Revenue (Continued)

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 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

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASC 842"), as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities. The Organization adopted ASC 842 under the modified retrospective method as of July 1, 2022.

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for impairment. The Organization made the accounting policy elections to not recognize short-term leases on the statements of financial position and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

In addition, at the date of initial application, the Organization recorded an operating lease right-of-use assets and operating lease liabilities in the amount of $1,180,986.

Leases

The Organization has operating leases agreements for office space under remaining contractual terms ranging up to five years. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statements of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

Certain leases contain fixed and determinable escalation clauses for which the Organization recognizes rental expense under these leases on the straight-line basis over the lease terms, which includes the period of time from when the Organization takes possession of the leased space. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The cumulative expense recognized on the straight-line basis in excess of the cumulative payments is recorded as deferred rent through June 30, 2022, prior to the adoption of Topic 842. In connection with the adoption of ASC 842 as of July 1, 2022, the Organization reclassified these deferred rent liabilities of $28,146 to the operating lease right-of-use assets.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the term of the lease.

Recently Issued but not yet Effective Accounting Standard

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The guidance under ASU 2016-13 will remove all current recognition thresholds and will require entities under the new current expected credit loss ("CECL") model to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that an entity expects to collect over the instrument's contractual life. The new CECL model is based upon expected losses rather than incurred losses. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the effect that ASU 2016-13 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, 2023 and 2022, approximated fair value.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 4 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.

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 with a cost 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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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, including its right of use assets, 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, 2023 and 2022.

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 years ended June 30, 2023 and 2022, $2,429,452 and $118,423, respectively, in donated legal 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, 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.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through January 24, 2024, the date on which these financial statements were available to be issued. 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, 2023:

Cash and cash equivalents	$	1,491,530
Investments		8,633,127
Contributions and other receivables, net		1,021,038
Total financial assets at year end		11,145,695
Less: amounts not available to be used within one year:		
Donor-restricted funds not available to support next year's operations		125,000
Board-designated funds, net of board-approved appropriations for next year's operations		4,444,723
Financial assets available to meet general expenditures within one year of the statement of financial position date	$	6,575,972

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

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 $4,444,723 are available to the Organization for operations with board approval.

NOTE 4. 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, 2023 and 2022:

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, 2023	Valuation Technique
Common stocks:					
Basic materials	$ 235,879	$ -	$ -	$ 235,879	(a)
Communication services	102,365	-	-	102,365	(a)
Consumer cyclical	180,888	-	-	180,888	(a)
Consumer defensive	153,261	-	-	153,261	(a)
Financial services	263,204	-	-	263,204	(a)
Healthcare	388,775	-	-	388,775	(a)
Industrials	288,248	-	-	288,248	(a)
Real estate	69,300	-	-	69,300	(a)
Technology	321,403	-	-	321,403	(a)
Utilities	141,640	-	-	141,640	(a)
Total common stocks	2,144,963	-	-	2,144,963	

NOTE 4. 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, 2023	Valuation Technique
Bonds:					
Foreign	-	14,702	-	14,702	(a)
Municipal	-	39,660	-	39,660	(a)
U.S. corporate	-	251,716	-	251,716	(a)
U.S. government	-	135,865	-	135,865	(a)
Total bonds	-	441,943	-	441,943	
Exchange-traded funds	3,597,556	-	-	3,597,556	(a)
Mutual funds	1,366,636	-	-	1,366,636	(a)
Government asset-backed/CMO securities	-	261,650	-	261,650	(a)
Glide Fund Series LLC	-	-	820,379	820,379	(c)
Total investments	$ 7,109,155	$ 703,593	$ 820,379	$ 8,633,127	

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	24,660	-	-	24,660	(a)
Total common stocks	1,923,434	-	-	1,923,434	
Bonds:					
Foreign	-	1,899	-	1,899	(a)
Municipal	-	40,747	-	40,747	(a)
U.S. corporate	-	276,245	-	276,245	(a)
U.S. government	-	143,532	-	143,532	(a)
Total bonds	-	462,423	-	462,423	
Exchange-traded funds	3,658,535	-	-	3,658,535	(a)
Mutual funds	1,294,132	-	-	1,294,132	(a)

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Level 1: Quoted Prices in Active Markets for Identical Asset	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2022	Valuation Technique
Government asset-backed/CMO securities	-	242,875	-	242,875	(a)
Glide Fund Series LLC	-	-	772,578	772,578	(c)
Total investments	$ 6,876,101	$ 705,298	$ 772,578	$ 8,353,977	

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.

B*onds:* 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.

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, 2023 and 2022, the following table sets forth the changes in Level 3 investments:

	2023	2022
Balance - beginning	$ 772,578	$ 572,859
Purchases	-	165,000
Interest and dividends	55,805	43,217
Investment management fees	(8,004)	(8,498)
Balance - ending	$ 820,379	$ 772,578

NOTE 5. CONTRIBUTIONS AND OTHER RECEIVABLES

As of June 30, 2023 and 2022, contributions and other receivables are due as follows:

	2023	2022
Receivable in less than one year	$ 1,089,208	$ 1,376,555
Less: allowance for uncollectible contributions and other receivables	68,170	39,105
Contributions and other receivables, net	$ 1,021,038	$ 1,337,450

Approximately 58% of the Organization's receivables was derived from two institutional donors as of June 30, 2023. As of June 30, 2022, 72% of the Organization's receivables was derived from one institutional donor.

Based on management's experience, the aging of contributions and other receivables, subsequent receipts and current economic conditions, $68,170 and $39,105 have been reserved for as an allowance for uncollectible contributions and other receivables for the years ended June 30, 2023 and 2022, respectively.

NOTE 6. PROPERTY AND EQUIPMENT

As of June 30, 2023 and 2022, property and equipment, at cost, consisted of the following:

	2023	2022
Leasehold improvements	$ 2,441,981	$ 2,441,981
Furniture, fixtures and equipment	416,802	416,802
	2,858,783	2,858,783
Less: accumulated depreciation	1,274,466	965,564
Property and equipment, net	$ 1,584,317	$ 1,893,219

Depreciation expense was $308,902 and $305,954 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2023, 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	$ 12,004
Racial Justice	140,676
Voting Rights	661,899
Leadership Development	49,569
Criminal Justice Reform	719,312
Economic Justice	10,221
Time Restricted	1,376,944
Other	28,800
	$ 2,999,425

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for program services at June 30, 2023 and 2022, are as follows:

	2023	2022
Immigrant Justice	$ 25,610	$ 39,599
Voting Rights	145,133	577,605
Racial Justice	-	140,676
Criminal Justice Reform	214,563	218,875
Economic Justice	14,779	-
Time Restricted	1,443,722	2,608,166
Leadership Development	17,431	-
Other	24,806	12,001
	$ 1,886,044	$ 3,596,922

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, 2023, one institutional donor accounted for approximately 28% of total contributions and 11% of total support and revenue. For the year ended June 30, 2022, two institutional donor accounted for approximately 40% of total contributions and 42% 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, 2023 and 2022, marketing and cultivation costs totaled $88,826 and $96,470, respectively.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The Organization has operating leases for office space expiring through September 2028. Total operating lease expense for the years ended June 30, 2023 and 2022, was $206,562 and $222,963, respectively.

Maturities of operating lease liabilities as of June 30, 2023, are as follows:

Year ending June 30:	Amount
2024	$ 211,066
2025	203,866
2026	203,866
2027	203,866
2028	203,866
Thereafter	50,965
Net minimum lease payments	1,077,495
Less: interest	76,276
Present value of lease liabilities	$ 1,001,219

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows from operating leases	$ 211,066
Average lease terms and discount rates were as follows:	
Weighted-average remaining lease term (in years)	5.22
Weighted-average discount rate (%)	2.91

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 expires on June 30, 2025. At June 30, 2023, the Organization had a total of 44 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, 2023 and 2022, the Organization made contributions to the plan amounting to $165,342 and $96,654, respectively, which are included in "Salaries and benefits" in the accompanying statement of functional expenses.

NOTE 14. BOARD-DESIGNATED OPERATING RESERVE

The activity of the board-designated operating reserve for the years ended June 30, 2023 and 2022, was as follows:

	2023	2022
Balance - beginning of year	$ 4,482,257	$ 5,396,414
Add:		
Pro-rata investment earnings (loss)	405,166	(669,372)
Sub-total	4,887,423	4,727,042
Less:		
NYC occupancy payments	203,866	207,815
Investment advisory fees	34,968	36,970
Sub-total	238,834	244,785
Balance - end of year	$ 4,648,589	$ 4,482,257

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, 2023 and 2022, of $34,081 and $18,053, 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 $10,141 and $4,990 for the years ended June 30, 2023 and 2022, respectively, because management has indicated that it would not have purchased these services if they were not donated.

NOTE 16. PAYCHECK PROTECTION PROGRAM

In May 2021, under the Paycheck Protection Program (the "PPP"), the Organization received PPP loan proceeds of $482,000. 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 PPP loan matures five years from the date of first disbursement of proceeds to the Organization (the "PPP 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 Loan Date.

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

NOTE 16. PAYCHECK PROTECTION PROGRAM (CONTINUED)

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, 2023 and 2022, the Organization recognized $- and $107,727, respectively, in grant revenue under the PPP loan program, which is included in "Grant revenue" in the accompanying statement of activities.

The Organization applied for PPP loan forgiveness and received approval from the Small Business Administration ("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.