

**LATINOJUSTICE PRLDEF
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(with comparative information for the
year ended June 30, 2023)**

**LATINOJUSTICE PRLDEF
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative information for the year ended June 30, 2023)**

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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, 2024, 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, 2024, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Braintree, Massachusetts
January 28, 2025

LATINOJUSTICE PRLDEF
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(with comparative information for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Cash available for use in operations	\$ 1,093,337	\$ 991,530
Certificates of deposit	<u>-</u>	<u>500,000</u>
Total cash and cash equivalents	1,093,337	1,491,530
Investments	7,325,559	8,633,127
Contributions and other receivables, net	2,443,693	1,021,038
Prepaid expenses and other assets	164,935	114,730
Property and equipment, net	1,284,441	1,584,317
Operating lease right-of-use assets	<u>886,760</u>	<u>977,576</u>
TOTAL ASSETS	<u>\$ 13,198,725</u>	<u>\$ 13,822,318</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 831,847	\$ 637,325
Other liabilities	15,278	29,864
Operating lease liabilities	<u>905,900</u>	<u>1,001,219</u>
Total liabilities	<u>1,753,025</u>	<u>1,668,408</u>
Commitments and contingencies (Note 11)		
Net assets:		
Without donor restrictions:		
Operating fund	3,587,902	5,619,277
Board-designated operating reserve	<u>4,868,503</u>	<u>4,648,589</u>
Total net assets without donor restrictions	8,456,405	10,267,866
With donor restrictions	<u>2,989,295</u>	<u>1,886,044</u>
Total net assets	<u>11,445,700</u>	<u>12,153,910</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,198,725</u>	<u>\$ 13,822,318</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(with summarized comparative financial information for the year ended June 30, 2023)

	<u>2024</u>					<u>2023</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	\$ 240,888	\$ -	\$ 240,888	\$ 4,299,984	\$ 4,540,872	\$ 1,644,819
Grant revenue	470,248	-	470,248	-	470,248	471,058
Event revenue, net of direct donor benefits of \$296,990 in 2024 and \$279,718 in 2023	912,276	-	912,276	-	912,276	1,224,417
Donated services	278,344	-	278,344	-	278,344	2,429,452
Legal fees recovered, net	999,053	-	999,053	-	999,053	111,258
Education fees for service	20,136	-	20,136	-	20,136	16,825
Interest and dividend income	136,278	156,725	293,003	-	293,003	330,482
Net appreciation of investments	278,700	325,148	603,848	-	603,848	446,305
Net assets released from donor restrictions and designations	<u>3,458,692</u>	<u>(261,959)</u>	<u>3,196,733</u>	<u>(3,196,733)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,794,615</u>	<u>219,914</u>	<u>7,014,529</u>	<u>1,103,251</u>	<u>8,117,780</u>	<u>6,674,616</u>
Expenses:						
Program services:						
Litigation	4,038,492	-	4,038,492	-	4,038,492	6,024,516
Education	456,639	-	456,639	-	456,639	551,858
Advocacy, community outreach and communications	<u>2,291,645</u>	<u>-</u>	<u>2,291,645</u>	<u>-</u>	<u>2,291,645</u>	<u>2,271,379</u>
Total program services	<u>6,786,776</u>	<u>-</u>	<u>6,786,776</u>	<u>-</u>	<u>6,786,776</u>	<u>8,847,753</u>
Supporting services:						
Administrative and general	958,456	-	958,456	-	958,456	377,995
Development	<u>1,080,758</u>	<u>-</u>	<u>1,080,758</u>	<u>-</u>	<u>1,080,758</u>	<u>1,165,504</u>
Total supporting services	<u>2,039,214</u>	<u>-</u>	<u>2,039,214</u>	<u>-</u>	<u>2,039,214</u>	<u>1,543,499</u>
Total expenses	<u>8,825,990</u>	<u>-</u>	<u>8,825,990</u>	<u>-</u>	<u>8,825,990</u>	<u>10,391,252</u>
Changes in net assets	(2,031,375)	219,914	(1,811,461)	1,103,251	(708,210)	(3,716,636)
Net assets - beginning	<u>5,619,277</u>	<u>4,648,589</u>	<u>10,267,866</u>	<u>1,886,044</u>	<u>12,153,910</u>	<u>15,870,546</u>
NET ASSETS - ENDING	<u>\$ 3,587,902</u>	<u>\$ 4,868,503</u>	<u>\$ 8,456,405</u>	<u>\$ 2,989,295</u>	<u>\$ 11,445,700</u>	<u>\$ 12,153,910</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

(with summarized comparative financial information for the year ended June 30, 2023)

	2024								2023	
	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		
Salaries and benefits	\$3,392,446	\$ 392,057	\$ 1,761,677	\$ 5,546,180	\$ 470,153	\$ 840,022	\$ 1,310,175	\$ -	\$ 6,856,355	\$ 5,909,483
Occupancy	113,383	16,830	104,003	234,216	79,828	38,250	118,078	-	352,294	316,350
Professional fees	98,726	11,358	165,448	275,532	132,307	142,482	274,789	-	550,321	835,207
Telephone	9,848	1,416	8,670	19,934	6,713	3,218	9,931	-	29,865	30,174
Office	3,526	507	3,105	7,138	2,403	1,152	3,555	-	10,693	11,285
Non-capital equipment	46,133	1,819	31,377	79,329	9,345	6,029	15,374	-	94,703	144,953
Publications	37,850	909	5,225	43,984	5,413	2,003	7,416	-	51,400	48,405
Expert fees and court costs	44,190	-	-	44,190	-	-	-	-	44,190	30,214
Travel, conferences, meetings and other miscellaneous	41,320	17,797	119,061	178,178	19,441	11,257	30,698	268,557	477,433	487,090
Marketing and cultivation	-	-	1,400	1,400	-	5,600	5,600	28,433	35,433	88,826
Bad debt	-	-	-	-	35,027	-	35,027	-	35,027	30,629
Depreciation	123,310	13,946	64,478	201,734	74,443	30,745	105,188	-	306,922	308,902
Donated services	<u>127,760</u>	<u>-</u>	<u>27,201</u>	<u>154,961</u>	<u>123,383</u>	<u>-</u>	<u>123,383</u>	<u>-</u>	<u>278,344</u>	<u>2,429,452</u>
	4,038,492	456,639	2,291,645	6,786,776	958,456	1,080,758	2,039,214	296,990	9,122,980	10,670,970
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>296,990</u>	<u>296,990</u>	<u>279,718</u>
TOTAL EXPENSES	<u>\$4,038,492</u>	<u>\$ 456,639</u>	<u>\$ 2,291,645</u>	<u>\$ 6,786,776</u>	<u>\$ 958,456</u>	<u>\$ 1,080,758</u>	<u>\$ 2,039,214</u>	<u>\$ -</u>	<u>\$ 8,825,990</u>	<u>\$ 10,391,252</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative information for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Changes in net assets	\$ (708,210)	\$ (3,716,636)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	306,922	308,902
Discount to present value for contributions and other receivables	95,077	-
Bad debt expense	35,027	30,629
Non-cash lease expense	249,683	175,264
Net unrealized gain on investments	(603,848)	(446,305)
Changes in operating assets and liabilities:		
Contributions and other receivables	(1,552,759)	285,783
Prepaid expenses and other assets	(50,205)	67,407
Accounts payable and accrued expenses	194,522	98,983
Other liabilities	(14,586)	18,693
Operating lease liabilities	<u>(254,186)</u>	<u>(179,767)</u>
Net cash used in operating activities	<u>(2,302,563)</u>	<u>(3,357,047)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7,046)	-
Proceeds from sales of investments	4,745,471	2,430,144
Purchases of investments	<u>(2,834,055)</u>	<u>(2,262,989)</u>
Net cash provided by investing activities	<u>1,904,370</u>	<u>167,155</u>
Net decrease in cash and cash equivalents	(398,193)	(3,189,892)
Cash and cash equivalents - beginning	<u>1,491,530</u>	<u>4,681,422</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,093,337</u>	<u>\$ 1,491,530</u>
Supplemental disclosures 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	<u>\$ -</u>	<u>\$ 1,180,986</u>
Operating lease liability and right-of-use assets recognized in connection with new leases during the year	<u>\$ 99,427</u>	<u>\$ -</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 allocated based on estimates of time and effort incurred by personnel. 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, 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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 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.

Leases

The Organization has operating lease agreements for office space under remaining contractual terms ranging up to four 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.

Lease terms include the noncancelable 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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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 Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("Accounting Standards Codification "ASC" 326"), along with subsequently issued related ASUs, which requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired. The Organization's financial instruments include available for sale securities. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Organization adopted ASC 326 using the modified retrospective method at July 1, 2023, and it did not have a material impact on the financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. As of June 30, 2023, included in cash and cash equivalents are certificates of deposit which earn interest at an annual rate of 0.25%.

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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

FASB 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.

Investment in Private Investment Company

Investment in private investment company is valued, as a practical expedient, utilizing the net asset valuation provided by the underlying private investment company, without adjustment, when the net asset valuation of the investment is calculated in a manner consistent with U.S. GAAP for investment company. The Organization applies the practical expedient to its investment in a private investment company on an investment-by-investment basis and consistent with the Organization's entire position in a particular investment, unless it is probable that the Organization will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Organization will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Organization considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2024 and 2023.

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, 2024 and 2023, \$278,344 and \$2,429,452, 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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(with comparative information for the year ended June 30, 2023)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Securities, Goods and Services (Continued)

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, 2023, 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 28, 2025, 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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
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(with comparative information for the year ended June 30, 2023)

NOTE 3. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2024:

Cash and cash equivalents	\$ 1,093,337
Investments	7,325,559
Contributions and other receivables, net	<u>2,443,693</u>
Total financial assets at year end	10,862,589
Less: amounts not available to be used within one year:	
Donor-restricted funds not available to support next year's operations	725,429
Board-designated funds, net of board-approved appropriations for next year's operations	<u>4,664,637</u>
Financial assets available to meet general expenditures within one year of the statement of financial position date	\$ <u>5,472,523</u>

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 certificates of deposit, stock, mutual funds, exchange-traded funds, bonds and asset-backed securities. Board-designated funds totaling \$4,664,637 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, 2024 and 2023:

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(with comparative information for the year ended June 30, 2023)

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	Investments Measured at Net Asset Value	Total at June 30, 2024	Valuation Technique
Common stocks:						
Basic materials	\$ 56,153	\$ -	\$ -	\$ -	\$ 56,153	(a)
Communication services	75,155	-	-	-	75,155	(a)
Consumer cyclical	123,615	-	-	-	123,615	(a)
Consumer defensive	134,216	-	-	-	134,216	(a)
Financial services	272,154	-	-	-	272,154	(a)
Healthcare	362,843	-	-	-	362,843	(a)
Industrials	265,803	-	-	-	265,803	(a)
Real estate	22,719	-	-	-	22,719	(a)
Technology	403,785	-	-	-	403,785	(a)
Utilities	<u>18,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,621</u>	(a)
Total common stocks	<u>1,735,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,735,064</u>	
Bonds:						
Foreign	-	15,301	-	-	15,301	(a)
Municipal	-	32,564	-	-	32,564	(a)
U.S. corporate	-	295,791	-	-	295,791	(a)
U.S. government	<u>-</u>	<u>120,115</u>	<u>-</u>	<u>-</u>	<u>120,115</u>	(a)
Total bonds	<u>-</u>	<u>463,771</u>	<u>-</u>	<u>-</u>	<u>463,771</u>	
Exchange-traded funds	<u>2,853,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,853,373</u>	(a)
Mutual funds	<u>1,140,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,140,513</u>	(a)
Government asset-backed/CMO securities	<u>-</u>	<u>269,863</u>	<u>-</u>	<u>-</u>	<u>269,863</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>-</u>	<u>862,975</u>	<u>862,975</u>	(c)
Total investments	<u>\$ 5,728,950</u>	<u>\$ 733,634</u>	<u>\$ -</u>	<u>\$ 862,975</u>	<u>\$ 7,325,559</u>	

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(with comparative information for the year ended June 30, 2023)

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	Investments Measured at Net Asset Value	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	<u>141,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,640</u>	(a)
Total common stocks	<u>2,144,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,144,963</u>	
Bonds:						
Foreign	-	14,702	-	-	14,702	(a)
Municipal	-	39,660	-	-	39,660	(a)
U.S. corporate	-	251,716	-	-	251,716	(a)
U.S. government	<u>-</u>	<u>135,865</u>	<u>-</u>	<u>-</u>	<u>135,865</u>	(a)
Total bonds	<u>-</u>	<u>441,943</u>	<u>-</u>	<u>-</u>	<u>441,943</u>	
Exchange-traded funds	<u>3,597,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,597,556</u>	(a)
Mutual funds	<u>1,366,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,366,636</u>	(a)
Government asset-backed/CMO securities	<u>-</u>	<u>261,650</u>	<u>-</u>	<u>-</u>	<u>261,650</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>-</u>	<u>820,379</u>	<u>820,379</u>	(c)
Total investments	<u>\$ 7,109,155</u>	<u>\$ 703,593</u>	<u>\$ -</u>	<u>\$ 820,379</u>	<u>\$ 8,633,127</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 4. 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.

NOTE 5. CONTRIBUTIONS AND OTHER RECEIVABLES

As of June 30, 2024 and 2023, contributions and other receivables are due as follows:

	2024	2023
Receivable in less than one year	\$ 1,609,737	\$ 1,089,208
Receivable in one to five years	1,020,000	-
	2,629,737	1,089,208
Less: allowance for uncollectible contributions and other receivables	90,967	68,170
Less: discount to net present value	95,077	-
Contributions and other receivables, net	\$ 2,443,693	\$ 1,021,038

Contributions due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 6.00% for pledges made during the year ended June 30, 2024.

Approximately 50% and 58% of the Organization's receivables was derived from two institutional donors as of June 30, 2024 and 2023, respectively.

Based on management's experience, the aging of contributions and other receivables, subsequent receipts and current economic conditions, \$90,967 and \$68,170 have been reserved as an allowance for uncollectible contributions and other receivables for the years ended June 30, 2024 and 2023, respectively.

NOTE 6. PROPERTY AND EQUIPMENT

As of June 30, 2024 and 2023, property and equipment, at cost, consisted of the following:

	2024	2023
Leasehold improvements	\$ 2,441,981	\$ 2,441,981
Furniture, fixtures and equipment	423,848	416,802
	2,865,829	2,858,783
Less: accumulated depreciation	1,581,388	1,274,466
Property and equipment, net	\$ 1,284,441	\$ 1,584,317

Depreciation expense was \$306,922 and \$308,902 for the years ended June 30, 2024 and 2023, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2024, 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	\$ 25,610
Racial Justice	139,103
Voting Rights	618,083
Leadership Development	111,276
Criminal Justice Reform	490,205
Economic Justice	20,135
Time Restricted	1,440,250
Environmental Justice	99,320
Multi-Year Pledges - Individual (time restricted)	62,500
Multi-Year Pledges - Corporate (time restricted)	50,000
Other	<u>140,251</u>
	<u>\$ 3,196,733</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for program services at June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Immigrant Justice	\$ -	\$ 25,610
Voting Rights	782,864	145,133
Racial Justice	30,805	-
Environmental Justice	200,680	-
Criminal Justice Reform	47,799	214,563
Economic Justice	7,644	14,779
Time Restricted	1,461,490	1,443,722
Leadership Development	-	17,431
Individual Multi-Year Pledges - time-restricted	320,000	-
Corporate Multi-Year Pledges - time-restricted	100,000	-
Other	<u>38,013</u>	<u>24,806</u>
	<u>\$ 2,989,295</u>	<u>\$ 1,886,044</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.

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NOTE 9. CONCENTRATION OF CREDIT RISK (CONTINUED)

For the year ended June 30, 2024, two institutional donor accounted for approximately 43% of total contributions and 25% of total support and revenue. For the year ended June 30, 2023, one institutional donor accounted for approximately 28% of total contributions and 11% 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, 2024 and 2023, marketing and cultivation costs totaled \$35,433 and \$88,826, respectively.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Leases

The Organization has operating leases for office space expiring through September 2028. Total operating lease expense for the years ended June 30, 2024 and 2023, was \$249,728 and \$206,562, respectively.

Maturities of operating lease liabilities as of June 30, 2024, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$ 129,671
2026	236,550
2027	221,206
2028	221,206
2029	<u>153,488</u>
Net minimum lease payments	962,121
Less: interest	<u>56,221</u>
Present value of lease liabilities	<u>\$ 905,900</u>

Supplemental cash flow information related to leases was as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows from operating leases	\$ <u>254,186</u>	\$ <u>211,066</u>
Average lease terms and discount rates were as follows:		
Weighted-average remaining lease term (in years)	<u>4.19</u>	<u>5.22</u>
Weighted-average discount rate (%)	<u>3.02</u>	<u>2.91</u>

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NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Paycheck Protection Program

In March 2021 and June 2022, the Organization received approval from the Small Business Administration ("SBA") for full forgiveness of the Organization's Paycheck Protection Program ("PPP") loans totaling of \$1,044,130. The Organization may be subject to audit for up to six years from the date of full forgiveness. 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 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, 2024, 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, 2024 and 2023, the Organization made contributions to the plan amounting to \$206,003 and \$165,342, 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, 2024 and 2023, was as follows:

	2024	2023
Balance - beginning of year	\$ 4,648,589	\$ 4,482,257
Add:		
Pro-rata investment earnings	481,873	405,166
Sub-total	5,130,462	4,887,423
Less:		
NYC office lease payments	203,866	203,866
Investment advisory fees	33,693	34,968
Storage fees	24,400	-
Sub-total	261,959	238,834
Balance - end of year	\$ 4,868,503	\$ 4,648,589

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

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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, 2024 and 2023, of \$510,499 and \$34,081, 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 \$2,644 and \$10,141 for the years ended June 30, 2024 and 2023, respectively, because management has indicated that it would not have purchased these services if they were not donated.