

LATINOJUSTICE PRLDEF

**Financial Statements
for the year ended
June 30, 2014
(with summarized comparative
information for the year ended
June 30, 2013)**

Independent Auditor's Report

To the Board of Directors of
LatinoJustice PRLDEF

We have audited the accompanying financial statements of LatinoJustice PRLDEF (the "Organization") which comprise the statements of financial position as of June 30, 2014 and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph of the previous page present fairly, in all material respects, the financial position of LatinoJustice PRLDEF as of June 30, 2014 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and our report dated March 28, 2014 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McBinty & Donnelly LLP

LATINOJUSTICE PRLDEF
Statements of Financial Position

Assets

	June 30	
	2014	2013
Cash and cash equivalents – unrestricted	\$ 557,453	\$ 739,966
Cash and cash equivalents – debt service reserve	78,906	80,052
Cash and cash equivalents – Board-designated operating reserve	1,215,034	-
Investments, at fair value	-	306,215
Contributions and accounts receivable, net	986,532	694,278
Prepaid expenses and other	24,504	29,997
Property and equipment, at cost, net	680,929	807,029
Total assets	<u>\$3,543,358</u>	<u>\$2,657,537</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 212,281	\$ 180,514
Unearned revenue	4,700	14,000
Mortgage payable	681,999	829,440
Total liabilities	<u>898,980</u>	<u>1,023,954</u>

Net assets

Unrestricted		
Operating fund (deficit)	(14,075)	176,641
Board-designated operating reserve	1,215,034	650,000
Total unrestricted	1,200,959	826,641
Temporarily restricted	1,443,419	806,942
Total net assets	<u>2,644,378</u>	<u>1,633,583</u>
Total liabilities and net assets	<u>\$3,543,358</u>	<u>\$2,657,537</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Activities For the year ended June 30, 2014 (with Summarized Comparative Information for the Year Ended June 30, 2013)

	2014				2013
	Unrestricted				
	Board				
	Operating Fund	Designated Operating Reserve	Total	Temporarily Restricted	Total
Support and revenue					
Contributions	\$ 85,082	\$ 1,000,000	\$ 1,085,082	\$ 2,269,421	\$ 3,354,503
Event revenue, net of direct donor benefits of \$89,240 in 2014 and \$123,588 in 2013	357,713	-	357,713	-	357,713
Legal fees recovered, net	93,106	-	93,106	-	93,106
Education fees	71,085	-	71,085	-	71,085
Rental revenue	81,317	-	81,317	-	81,317
Investment return	1,370	-	1,370	-	1,370
Net assets released from restrictions and designations	2,067,910	(434,966)	1,632,944	(1,632,944)	-
Total support and revenue	2,757,583	565,034	3,322,617	636,477	3,959,094
Expenses					
Program services					
Litigation	1,544,704	-	1,544,704	-	1,544,704
Education	386,698	-	386,698	-	386,698
Communications	293,146	-	293,146	-	293,146
Total program services	2,224,548	-	2,224,548	-	2,224,548
Supporting services					
Administrative and general	442,094	-	442,094	-	442,094
Development	281,657	-	281,657	-	281,657
Total supporting services	723,751	-	723,751	-	723,751
Total expenses	2,948,299	-	2,948,299	-	2,948,299
Increase (decrease) in net assets	(190,716)	565,034	374,318	636,477	1,010,795
Net assets beginning of year	176,641	650,000	826,641	806,942	1,633,583
Net assets (deficit), end of year	\$ (14,075)	\$ 1,215,034	\$ 1,200,959	\$ 1,443,419	\$ 2,644,378
					\$ 1,633,583

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Cash flows from operating activities		
Increase (decrease) in net assets	\$1,010,795	\$ (14,171)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	126,100	126,100
(Increase) decrease in assets		
Contributions and accounts receivable	(292,254)	131,088
Prepaid expenses and other	5,493	7,554
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	31,767	(41,841)
Unearned revenue	(9,300)	1,600
Net cash provided by operating activities	<u>872,601</u>	<u>210,330</u>
Cash flows provided by investing activities		
Net investment activity	<u>306,215</u>	<u>298,346</u>
Cash flows (used in) financing activities		
Repayment of mortgage payable	<u>(147,441)</u>	<u>(109,618)</u>
Net increase in cash and cash equivalents	1,031,375	399,058
Cash and cash equivalents, beginning of year	<u>820,018</u>	<u>420,960</u>
Cash and cash equivalents, end of year	<u>\$1,851,393</u>	<u>\$ 820,018</u>
Consists of:		
Cash and cash equivalents – unrestricted	\$ 557,453	\$ 739,966
Cash and cash equivalents – debt service reserve	78,906	80,052
Cash and cash equivalents – Board-designated	1,215,034	-
	<u>\$1,851,393</u>	<u>\$ 820,018</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 7,743</u>	<u>\$ 6,770</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF**Notes to Financial Statements
June 30, 2014****Note 1 – Nature of organization**

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 and advocacy 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**Net assets****Unrestricted**

- The Operating fund consists of amounts that can be spent at the discretion of the Organization.
- The Board-designated operating reserve was established by action of the Board of Directors during the 2013 fiscal year to provide an internal source of funds for unforeseen situations.

Temporarily restricted

- Temporarily restricted net assets represent expendable contributions, which are restricted by the donor to a particular program or pertain to future periods. As restrictions are satisfied, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions. At June 30, 2014 and 2013, the balance in temporarily restricted net assets will be used to enhance the programs described in note 1 to the financial statements. On the following pages are the activity in the Organization’s temporarily restricted net assets for the years ending June 30, 2014 and 2013.

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Notes to Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

The activity in the Organization's temporarily restricted net assets for the year ended June 30, 2014 is as follows:

	Balance at June 30, 2013	Contributions	Net Assets Released	Balance at June 30, 2014
Ford Capacity Building	\$ 175,000	\$ -	\$ (175,000)	\$ -
Direct Legal Services (NY Region)	75,000	-	(75,000)	-
Criminal Justice Project	37,500		(37,500)	-
Litigation Advocacy	34,500		(34,500)	-
EQJ Fellow	10,250	30,750	(41,000)	-
Legal Services (NY Region)	7,500	7,500	(15,000)	-
Bickel & Brewer	-	29,449	(29,449)	-
Youth Civic Engagement Network	-	10,000	(10,000)	-
Education Program LSAT	-	40,000	(40,000)	-
General Operating Support, 2 nd year	162,500	925,000	(625,000)	462,500
Immigrant Justice (GOS)	125,000	150,000	(162,500)	112,500
Voting Rights Project	75,500	325,000	(177,583)	222,917
Immigration Workplace Project	33,192	72,420	(69,402)	36,210
LAW Special Project	15,000	60,000	(15,000)	60,000
Voting Rights Project (SE Region)	-	110,000	(22,000)	88,000
The Scherman Foundation	-	22,500	-	22,500
Capital campaign – time restricted	-	224,651	(17,950)	206,701
Annual fund – time restricted	-	230,851	(30,060)	200,791
Other	56,000	31,300	(56,000)	31,300
Total	\$ 806,942	\$ 2,269,421	\$ (1,632,944)	\$ 1,443,419

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Notes to Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

The activity in the Organization's temporarily restricted net assets for the year ended June 30, 2013 is as follows:

	Balance at June 30, 2012	Contributions	Net Assets Released	Balance at June 30, 2013
Open Society Institute	\$ 125,000	\$ -	\$ (125,000)	\$ -
Four Freedoms	112,500	-	(112,500)	-
Long Island Latino Immigrant Rights	75,000	-	(75,000)	-
Hagedorn Latina at Work	56,603	3,000	(59,603)	-
Communications Project	29,167	-	(29,167)	-
Ford Transition Planning	29,000	-	(29,000)	-
LI Unitarian Universalists NYCT	10,417	-	(10,417)	-
Bickel & Brewer	9,559	-	(9,559)	-
Department of State	7,628	-	(7,628)	-
Immigrants' Rights	4,000	-	(4,000)	-
Redistricting Project	3,094	-	(3,094)	-
LSAC Minority Outreach	2,000	-	(2,000)	-
Youth Civic Engagement Network	63	-	(63)	-
B&B Fellow	-	24,500	(24,500)	-
Education Program LSAT	-	40,000	(40,000)	-
Voting Rights Project (LI Region)	-	14,900	(14,900)	-
Ford Capacity Building	325,000	175,000	(325,000)	175,000
General Operating Support, 2 nd year	425,000	325,000	(587,500)	162,500
Immigrant Justice (GOS)	-	150,000	(25,000)	125,000
Voting Rights Project	-	151,000	(75,500)	75,500
Direct Legal Services (NY Region)	-	75,000	-	75,000
Criminal Justice Project	-	45,000	(7,500)	37,500
Litigation Advocacy	-	60,000	(25,500)	34,500
Immigration Workplace Project	-	36,210	(3,018)	33,192
LAW Special Project	-	15,000	-	15,000
EQJ Fellow	-	41,000	(30,750)	10,250
Legal Services (NY Region)	-	7,500	-	7,500
Other	65,100	55,886	(64,986)	56,000
Total	\$ 1,279,131	\$ 1,218,996	\$ (1,691,185)	\$ 806,942

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Notes to Financial Statements
June 30, 2014Note 2 – Summary of significant accounting policies (continued)Cash equivalents

The Organization considers highly liquid assets with original maturities of ninety days or less to be cash equivalents.

Fair value measurements

Accounting principles generally accepted in the United States of America established a fair value hierarchy giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). As of June 30, 2013, the Organization's investments consisted of money market funds, which were classified as Level 1 assets. Their fair values were measured using quoted prices of identical assets in active markets.

Contributions and accounts receivable

Contributions and accounts receivable consist primarily of unconditional written pledges to donate to the Organization. Contributions and accounts receivable include multi-year pledges for the Organization's Capital Campaign (see note 6) and Annual Fund, as well as other receivables. The Organization expects to collect its contributions and accounts receivable as follows:

	Capital Campaign	Annual Fund	Other Contributions	Total
2015	\$ 71,528	\$ 52,820	\$ 579,040	\$ 703,388
2016	43,270	49,270	-	92,540
2017	42,020	48,020	-	90,040
2018	42,020	48,020	-	90,040
2019	<u>17,812</u>	<u>13,160</u>	<u>-</u>	<u>30,972</u>
Sub-total	216,650	211,290	579,040	1,006,980
Discount to present value	<u>9,949</u>	<u>10,499</u>	<u>-</u>	<u>20,448</u>
Total	<u>\$ 206,701</u>	<u>\$ 200,791</u>	<u>\$ 579,040</u>	<u>\$ 986,532</u>

Contributions due in more than one year have been discounted to their present value using a discount rate of 3.25% as of June 30, 2014.

Allowance for doubtful accounts

The Organization deems its contributions and accounts receivable to be collectible, and accordingly, an allowance for uncollectible contributions and accounts receivable is not necessary. This estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

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Notes to Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost. The Organization capitalizes expenditures for property and equipment in excess of a nominal amount with an estimated useful life of greater than one year. Depreciation is computed on the straight-line method over the estimated lives of the assets ranging from 5 to 20 years. The following is a summary of the Organization's property and equipment as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Condominium and improvements	\$2,357,943	\$2,357,943
Furniture, fixtures, equipment and website	682,897	682,897
Legal library	<u>208,239</u>	<u>208,239</u>
Total	3,249,079	3,249,079
Less accumulated depreciation	<u>2,568,150</u>	<u>2,442,050</u>
Net property and equipment	<u>\$ 680,929</u>	<u>\$ 807,029</u>

Legal fees

In connection with cases decided or settled in the Organization's favor, legal fees may be recovered. Due to uncertainty as to the amount ultimately recoverable and the timing of the recovery, revenue is recognized when the amount is measurable.

Donated legal services

From time to time, various law firms, including those related to Board members, provide legal services to the Organization on a pro bono basis. Such donated in-kind legal services are essential for the Organization to be able to successfully carry out its mission, including the delivery of critical legal services to protect the civil rights of the Latino community at large. The value of such donated legal services is estimated at \$1,210,685 and \$3,957,819 for the 2014 and 2013 fiscal years, respectively. Since the ultimate beneficiaries of these donated legal services are unrelated third parties and not the Organization, the donated legal fees are not recorded in the accompanying financial statements.

Functional expenses

The cost of providing various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

LATINOJUSTICE PRLDEF

Notes to Financial Statements

June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Credit risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and receivables. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. Generally, the Organization's cash and cash equivalents are insured under provisions of the FDIC; the Organization has not incurred any losses on such accounts to date and as of June 30, 2014 and 2013, there were no uninsured cash and cash equivalent balances. At June 30, 2013, the Organization's investments consisted of money market funds, which are covered under provisions of the SIPC. The Organization's management deems its receivables collectible. Accordingly, the Organization believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents and receivables.

Concentration of support

A significant portion of the Organization's revenue is received from one donor. Contributions received from this donor totaled approximately 65% of the Organization's total contributions and approximately 54% of the Organization's total revenue for the 2014 fiscal year and approximately 78% of the Organization's total contributions and approximately 58% of the Organization's total revenue for the 2013 fiscal year. A significant decrease in funding from this donor could have a material effect on the Organization's financial statements and could negatively impact the Organization's ability to carry-out its programs.

Comparative financial information

The statements of activities and functional expenses in the accompanying financial statements include certain prior-year summarized comparative information, in total but not by net asset class or by functional classification, respectively. Therefore, to compare 2014 to 2013 at the net asset class and functional level, the June 30, 2013 financial statements should be read in conjunction with the 2014 statements of activities and functional expenses.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through January 29, 2015, which is the date the financial statements were available to be issued.

Note 3 – Investments

At June 30, 2013, investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	<u>\$ 306,215</u>	<u>\$ 306,215</u>

LATINOJUSTICE PRLDEF

Notes to Financial Statements

June 30, 2014

Note 4 – Mortgage payable

In December 2002, the Organization obtained a \$1,500,000 mortgage, which was amended March 23, 2006. Under the amended agreement, the Organization, effective December 2006, is required to make 40 quarterly payments of \$38,796, including interest at the rate of 1% per annum through maturity in September 2016. The agreement is secured by a mortgage on the Organization's property, and the Organization grants a security interest in, all rights, title and interest to certain property of the Organization now owned, or subsequently acquired as outlined in the agreement. In addition, the Organization is required to maintain a certain restricted cash balance and maintain certain debt covenant ratios as outlined in the agreement. During June 2008, the Organization requested, and was granted, a temporary moratorium on principal payments under the mortgage for a two-year period, through September 30, 2010. Beginning September 2010, quarterly principal plus interest payments resumed and will continue through maturity in September 2018.

The following is a schedule of principal payments due on the Organization's long-term debt:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 186,385
2016	150,792
2017	152,307
2018	153,835
2019	<u>38,680</u>
Total	<u>\$ 681,999</u>

Note 5 – Commitments

Condominium tenant lease

The Organization leases a portion of its condominium unit to a tenant, which is a separate 501(c)(3) non-profit organization. The lease provides a base rent and reimbursement of the tenants' pro-rata share of property taxes. Rental revenue under this agreement totaled \$81,317 and \$85,906 for the years ended June 30, 2014 and 2013, respectively.

Equipment operating lease

The Organization has an operating lease for office equipment, which expires August 31, 2015. The following is the required annual payments under this lease.

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 19,152
2016	<u>3,192</u>
Total	<u>\$ 22,344</u>

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Notes to Financial Statements June 30, 2014

Note 5 – Commitments (continued)

Collective bargaining agreement

The Organization negotiated a collective bargaining agreement with the LatinoJustice PRLDEF Staff Association covering certain of its professional employees, which expires June 30, 2015.

Note 6 – Board-designated operating reserve

The activity of the Board-designated operating reserve for the 2014 and 2013 fiscal years was as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 650,000	\$ -
Add: Contributions	1,000,000	650,000
Net assets released from restrictions	<u>48,010</u>	<u>-</u>
Sub-total	1,698,010	650,000
Less: Mortgage principal and interest payments	155,184	-
Condominium assessment	78,444	-
Southeast United States expansion program	245,000	-
Other	<u>4,348</u>	<u>-</u>
Balance, end of year	<u>\$ 1,215,034</u>	<u>\$ 650,000</u>

Note 7 – Capital campaign

During the 2014 fiscal year, the Organization launched a comprehensive Capital Campaign to raise \$5 million from foundations, individuals and corporations during a two-year active solicitation period. The \$5 million will be raised above and beyond the funds necessary to carry out the Organization's general operations. The funds raised through the Capital Campaign will be in support of three objectives which are, to resource the emerging Southeast Regional Office, to retire the mortgage payable and to increase cash reserves. The Organization retained the services of a fundraising consultant to guide the Board of Directors and staff on a Capital Campaign strategy and the implementation process. Upon successful completion of the Capital Campaign, which is projected to be November 30, 2015, the funds raised will be utilized upon receipt in support of the three objectives summarized above.

Note 8 – Tax status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been determined to be a publicly supported organization and not a private foundation under the meaning of Section 509(a) of the Code. As of June 30, 2014, no amounts have been recognized for tax benefits resulting from uncertain income tax positions. The Organization's tax returns for the 2011 fiscal year and forward are subject to the usual review by the appropriate authorities.