

**LATINOJUSTICE PRLDEF
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

**LATINOJUSTICE PRLDEF
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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CITRIN COOPERMAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LatinoJustice PRLDEF

We have audited the accompanying financial statements of LatinoJustice PRLDEF (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows 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 above present fairly, in all material respects, the financial position of LatinoJustice PRLDEF as of June 30, 2015, 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.

Adjustments to Prior Period Financial Statements

The financial statements of LatinoJustice PRLDEF as of June 30, 2014 (not presented herein), were audited by other auditors, whose report dated January 29, 2015, expressed an unmodified opinion on those statements. As discussed in Note 3, LatinoJustice PRLDEF has restated the 2014 financial statements during the current year to correct classifications between unrestricted and temporarily restricted net assets and revenue recognition in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2014 financial statements before the restatements. As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 3 that were applied to the 2014 financial statements (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of LatinoJustice PRLDEF other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements (not presented herein) as a whole. The summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived, modified for the effects of the adjustments discussed in Note 3.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
February 17, 2016

**LATINOJUSTICE PRLDEF
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> (Restated)
<u>ASSETS</u>		
Cash and cash equivalents (inclusive of \$84,510 [2015] and \$-0- [2014] of cash operating reserves)	\$ 653,287	\$ 1,772,487
Restricted cash - debt service reserve	78,906	78,906
Investments	561,730	-
Contributions and other receivable, net	761,491	998,552
Prepaid expenses and other assets	27,068	24,504
Property and equipment, net	<u>554,829</u>	<u>680,929</u>
TOTAL ASSETS	<u>\$ 2,637,311</u>	<u>\$ 3,555,378</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 267,647	\$ 224,301
Unearned revenue	4,200	60,950
Loan payable	<u>533,077</u>	<u>681,999</u>
Total liabilities	<u>804,924</u>	<u>967,250</u>
Commitments and contingencies (Notes 10 and 12)		
Net assets:		
Unrestricted:		
Operating fund (deficit)	(500,819)	(146,877)
Board-designated operating reserve	<u>1,132,926</u>	<u>1,322,036</u>
Total unrestricted	632,107	1,175,159
Temporarily restricted	<u>1,200,280</u>	<u>1,412,969</u>
Total net assets	<u>1,832,387</u>	<u>2,588,128</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,637,311</u>	<u>\$ 3,555,378</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

(With summarized comparative financial information for the year ended June 30, 2014)

	<u>2015</u>					<u>2014</u>
	<u>Unrestricted</u>					(Restated)
	Operating Fund	Board- Designated Operating Reserve	Total	Temporarily Restricted	Total	Summarized Total
Support and revenue:						
Contributions	\$ 211,146	\$ -	\$ 211,146	\$ 1,255,353	\$ 1,466,499	\$ 3,282,083
Grant revenue	111,210	-	111,210	-	111,210	147,420
Event revenue, net of direct donor benefits of \$132,446 in 2015 and \$89,240 in 2014	421,834	-	421,834	-	421,834	357,713
Legal fees recovered, net	112,246	-	112,246	-	112,246	93,106
Education fees for service	96,620	-	96,620	-	96,620	71,085
Rental revenue	79,473	-	79,473	-	79,473	81,317
Interest and dividend income	2,754	-	2,754	-	2,754	1,370
Unrealized loss on investments	(16,529)	-	(16,529)	-	(16,529)	-
Net assets released from restrictions and designations	<u>1,657,152</u>	<u>(189,110)</u>	<u>1,468,042</u>	<u>(1,468,042)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,675,906</u>	<u>(189,110)</u>	<u>2,486,796</u>	<u>(212,689)</u>	<u>2,274,107</u>	<u>4,034,094</u>
Expenses:						
Program services:						
Litigation	1,657,553	-	1,657,553	-	1,657,553	1,544,704
Education	384,033	-	384,033	-	384,033	386,698
Advocacy, community outreach and communications	<u>283,854</u>	<u>-</u>	<u>283,854</u>	<u>-</u>	<u>283,854</u>	<u>293,146</u>
Total program services	<u>2,325,440</u>	<u>-</u>	<u>2,325,440</u>	<u>-</u>	<u>2,325,440</u>	<u>2,224,548</u>
Support services:						
Administrative and general	381,450	-	381,450	-	381,450	442,094
Development	<u>322,958</u>	<u>-</u>	<u>322,958</u>	<u>-</u>	<u>322,958</u>	<u>281,657</u>
Total support services	<u>704,408</u>	<u>-</u>	<u>704,408</u>	<u>-</u>	<u>704,408</u>	<u>723,751</u>
Total expenses	<u>3,029,848</u>	<u>-</u>	<u>3,029,848</u>	<u>-</u>	<u>3,029,848</u>	<u>2,948,299</u>
Change in net assets	(353,942)	(189,110)	(543,052)	(212,689)	(755,741)	1,085,795
Net assets - beginning (see Note 3)	<u>(146,877)</u>	<u>1,322,036</u>	<u>1,175,159</u>	<u>1,412,969</u>	<u>2,588,128</u>	<u>1,502,333</u>
NET ASSETS - ENDING	<u>\$ (500,819)</u>	<u>\$ 1,132,926</u>	<u>\$ 632,107</u>	<u>\$ 1,200,280</u>	<u>\$ 1,832,387</u>	<u>\$ 2,588,128</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

(With summarized comparative financial information for the year ended June 30, 2014)

	2015				2014			
	Program Services			Total	Support Services		Total	
	Litigation	Education	Advocacy, Community Outreach and Communications		Administrative and General	Development		
Salaries and benefits	\$ 1,219,969	\$ 248,602	\$ 228,754	\$ 1,697,325	\$ 267,704	\$ 223,932	\$ 2,188,961	\$ 2,070,298
Occupancy	97,766	19,553	19,553	136,872	24,886	15,998	177,756	199,239
Professional fees	39,377	85,268	2,181	126,826	23,532	52,985	203,343	235,283
Telephone	7,114	1,423	1,423	9,960	1,811	1,164	12,935	14,528
Office expenses	10,918	2,184	2,184	15,286	2,779	1,787	19,852	15,311
Equipment costs	42,302	8,460	8,460	59,222	10,768	6,922	76,912	62,684
Publications	27,210	-	-	27,210	470	-	27,680	29,698
Expert fees and court costs	103,603	-	-	103,603	-	-	103,603	100,380
Travel, conferences, meetings, and other miscellaneous	25,281	1,338	5,042	31,661	16,361	2,993	51,015	66,078
Marketing and cultivation	14,658	3,334	2,386	20,378	9,595	5,828	35,801	21,326
Interest expense	-	-	-	-	5,890	-	5,890	7,374
Depreciation	69,355	13,871	13,871	97,097	17,654	11,349	126,100	126,100
TOTAL EXPENSES	<u>\$ 1,657,553</u>	<u>\$ 384,033</u>	<u>\$ 283,854</u>	<u>\$ 2,325,440</u>	<u>\$ 381,450</u>	<u>\$ 322,958</u>	<u>\$ 3,029,848</u>	<u>\$ 2,948,299</u>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> (Restated)
Cash flows from operating activities:		
Change in net assets	\$ (755,741)	\$ 1,085,795
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	126,100	126,100
Discount to present value for contributions and other receivable	41,195	20,448
Donated securities	(40,417)	-
Net unrealized losses on investments	16,529	-
Changes in assets and liabilities:		
Contributions and other receivable	195,866	(312,702)
Prepaid expenses and other assets	(2,564)	5,493
Accounts payable and accrued expenses	43,346	31,767
Unearned revenue	<u>(56,750)</u>	<u>(84,300)</u>
Net cash provided by (used in) operating activities	<u>(432,436)</u>	<u>872,601</u>
Cash flows from investing activities:		
Proceeds from sales of investments	-	306,215
Purchases of investments	<u>(537,842)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(537,842)</u>	<u>306,215</u>
Cash used in financing activities:		
Repayment of mortgage payable	<u>(148,922)</u>	<u>(147,441)</u>
Net increase (decrease) in cash and cash equivalents	(1,119,200)	1,031,375
Cash and cash equivalents - beginning	<u>1,772,487</u>	<u>741,112</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 653,287</u>	<u>\$ 1,772,487</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 6,263</u>	<u>\$ 7,743</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 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

Basis of accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and is presented in accordance with accounting requirements for not-for-profit organizations. These requirements provide that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows, and that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding their use.

The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations. The board of directors established an operating reserve to provide an internal source of funds to serve as reserves for programs and operations.

Temporarily restricted net assets represent net assets whose use has been limited by donors to a specific time period and/or purpose.

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that the principal corpus be maintained in perpetuity.

Use of estimates

The preparation of financial statements in conformity with 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.

Revenue recognition

Contributions are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contributions revenue.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

The Organization reports contributions of gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as "Net assets released from 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.

Cash and cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

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

Fair value measurement

Financial Accounting Standards Board Accounting Standards Codification ("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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continued)

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

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

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

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

Property and equipment

The Organization's policy is to capitalize property and equipment of \$5,000 or more. Maintenance and repairs are expensed as incurred. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of these assets, which range from 3 to 30 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 statements of activities.

Donated goods and services

Donated securities are reported at their fair values as determined on the date of donation. Contributions of 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.

From time to time, various law firms, including those related to board members, provide legal services to the Organization 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 management of the Organization has indicated that it would not purchase the services if they were not donated. Instead, the Organization would reduce the amount of individuals served or modify the services provided. Accordingly, the value of such donated legal services, which amounted to \$3,516,194 and \$1,210,685 for the years ended June 30, 2015 and 2014, respectively, has not been reflected in the accompanying financial statements.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated by management, using appropriate measurement methodologies, among the program and supporting services.

Prior-year summarized comparative information

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset classification and natural classification by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, 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. Generally, the Organization is no longer subject to income tax examinations by U.S. federal or state taxing authorities for years before 2011.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Organization's previously reported change in net assets.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through February 17, 2016, 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 the financial statements.

NOTE 3. RESTATEMENT

The Organization restated its previously issued financial statements to properly classify certain items between unrestricted and temporarily restricted net assets. Additionally, the Organization's revenue recognition for one of its grants was restated and recorded according to the specific terms of the contract agreement.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3. RESTATEMENT (CONTINUED)

The following sets forth the previously reported and restated amounts of selected items within the statement of financial position as of June 30, 2014, and within the statements of activities and cash flows for the year ended June 30, 2014:

Selected Statement of Financial Position as of June 30, 2014

	<u>As previously reported</u>	<u>As restated</u>
Unearned revenue	\$ 4,700	\$ 60,950
Unrestricted net assets - operating fund (deficit)	\$ (14,075)	\$ (146,877)
Unrestricted net assets - board- designated operating reserve	\$ 1,215,034	\$ 1,322,036
Temporarily restricted net assets	\$ 1,443,419	\$ 1,412,969

Selected Statement of Activities for the year ended June 30, 2014

	<u>As previously reported</u>	<u>As restated</u>
Grant revenue	\$ -	\$ 147,420
Change in net assets	\$ 1,010,795	\$ 1,085,795
Net assets, beginning of year	\$ 1,633,583	\$ 1,502,333
Net assets, end of year	\$ 2,644,378	\$ 2,588,128

Selected Statement of Cash Flow for the year ended June 30, 2014

	<u>As previously reported</u>	<u>As restated</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,010,795	\$ 1,085,795
Unearned revenue	\$ (9,300)	\$ (84,300)

NOTE 4. CONTRIBUTIONS AND OTHER RECEIVABLE

As of June 30, 2015 and 2014, contributions and other receivable are due as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 373,635	\$ 715,408
Receivable in one to five years	429,051	303,592
	802,686	1,019,000
Less: discounts to net present value	<u>(41,195)</u>	<u>(20,448)</u>
	<u>\$ 761,491</u>	<u>\$ 998,552</u>

Contributions due in more than one year are reflected at the net present value of estimated future cash flows using discount rates of 3.87% and 3.25% for pledges made during the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2015 and 2014, approximately 31% and 45%, respectively, of the Organization's receivables were derived from one institutional donor.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4. CONTRIBUTION AND OTHER RECEIVABLE (CONTINUED)

Based on management's experience, the aging of contributions and other receivable, subsequent receipts and current economic conditions, the Organization deems its contributions and other receivable to be fully collectible and, accordingly, has not provided a reserve for uncollectible accounts.

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

The following table summarizes the Organization's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2015:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
Common stocks:					
Financial	\$ 24,781	\$ -	\$ -	\$ 24,781	(a)
Technology	7,743	-	-	7,743	(a)
Services	2,193	-	-	2,193	(a)
Exchange-traded funds:					
Social index	106,919	-	-	106,919	(a)
Multi-alternative	29,698	-	-	29,698	(a)
Mutual funds:					
Small value	44,699	-	-	44,699	(a)
Small blend	44,153	-	-	44,153	(a)
Global real estate and income	34,463	-	-	34,463	(a)
Debt and equity income	29,795	-	-	29,795	(a)
Investment-grade debt securities	59,749	-	-	59,749	(a)
Emerging markets bond	29,901	-	-	29,901	(a)
Global	132,723	-	-	132,723	(a)
Preferred stock	<u>14,913</u>	<u>-</u>	<u>-</u>	<u>14,913</u>	(a)
Total	<u>\$ 561,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,730</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.

**LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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 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 6. PROPERTY AND EQUIPMENT

As of June 30, 2015 and 2014, property and equipment, at cost, consisted of the following:

	2015	2014
Condominium and improvements	\$ 2,357,943	\$ 2,357,943
Furniture, fixtures, and equipment	682,897	682,897
Legal library	208,239	208,239
	3,249,079	3,249,079
Less: accumulated depreciation	(2,694,250)	(2,568,150)
	\$ 554,829	\$ 680,929

Depreciation expense was \$126,100 for each of the years ended June 30, 2015 and 2014.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2015, temporarily restricted net assets were released from donor restrictions either by the Organization meeting the donor requirements by providing program services, or by the lapse of a time restriction:

Youth & Community Engagement	\$ 6,600
Fellowship	4,500
Capacity Building	175,000
General operating support - time restricted	292,292
Immigrant Justice (Long Island)	315,417
Immigrant Justice (GOS)	150,000
Core grant (SE Region)	30,000
Voting Rights Project	52,083
Voting Rights Project (SE Region)	88,000
LAW Special Project	66,900
Criminal Justice Project	50,000
CAP Leadership Institute	5,000
Capital campaign - time restricted	150,500
Annual fund - time restricted	50,450
Other	31,300
	\$ 1,468,042

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
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NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for program services at June 30, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Capacity Building	\$ 175,000	\$ -
General operating support - time restricted	207,708	500,000
Immigrant Justice (Long Island)	97,500	222,917
Immigrant Justice (GOS)	112,500	112,500
Voting Rights Project	197,917	-
Voting Rights Project (SE Region)	-	88,000
LAW Special Project	-	60,000
Capital campaign - time restricted	231,304	201,661
Annual fund - time restricted	156,551	196,591
Other	<u>21,800</u>	<u>31,300</u>
	<u>\$ 1,200,280</u>	<u>\$ 1,412,969</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. At times, the Organization's cash and cash equivalents and investments, which are placed with major financial institutions and a brokerage firm, exceed the insurance coverage provided by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The Organization has not experienced any losses in such accounts.

For the years ended June 30, 2015 and 2014, one institutional donor accounted for approximately 48% and 59%, respectively, of total contributions and 31% and 48%, respectively, of total support and revenue.

NOTE 10. LOAN PAYABLE

In December 2002, the Organization obtained a \$1,500,000 loan, which was amended on 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 in a separate debt service reserve account and maintain certain financial 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 2010. Beginning on September 30, 2010, quarterly principal plus interest payments resumed and will continue through maturity in September 2018.

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NOTE 10. LOAN PAYABLE (CONTINUED)

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

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 188,257
2017	152,306
2018	153,835
2019	<u>38,679</u>
Total	<u>\$ 533,077</u>

NOTE 11. 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, 2015 and 2014, marketing and cultivation costs totaled \$35,801 and \$21,326, respectively.

NOTE 12. 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, that expires on November 30, 2015. The lease provides a base rent and seventy-five percent of all utility charges payable by the Organization. Rental revenue under this agreement totaled \$79,473 and \$81,317 for the years ended June 30, 2015 and 2014, respectively. The following is a schedule of future annual minimum rental income:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 79,473
2017	<u>33,114</u>
	<u>\$ 112,587</u>

Operating lease

The Organization has an operating lease for an office in Florida, which expires in July 2016. Future minimum lease payments for the operating lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 19,752
2017	<u>824</u>
	<u>\$ 20,576</u>

Rent expense for the year ended June 30, 2015, amounted to \$17,769.

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NOTE 12. COMMITMENTS (CONTINUED)

Equipment operating lease

The Organization has an operating lease for office equipment, which expires on September 30, 2018. Future minimum lease payments for the operating lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 14,824
2017	15,510
2018	15,510
2019	<u>3,877</u>
	<u>\$ 49,721</u>

Equipment lease expense for the years ended June 30, 2015 and 2014, amounted to \$26,427 and \$24,289, respectively.

NOTE 13. COLLECTIVE BARGAINING AGREEMENT

The Organization negotiated a collective bargaining agreement with the LatinoJustice PRLDEF Staff Association, NOLSW, Local 2320, UAW, AFL-CIO, covering certain of its professional employees, which expired on June 30, 2015. The Organization is currently in negotiations to update the agreement.

NOTE 14. EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) plan covering all eligible employees. During the year ended June 30, 2015, the Organization made contributions to the plan amounting to \$27,578, which are included in salary and benefits in the accompanying statements of functional expenses.

NOTE 15. BOARD-DESIGNATED OPERATING RESERVE

The activity of the board-designated operating reserve for 2015 and 2014 was as follows:

	2015	2014
Balance, beginning of year	\$ 1,322,036	\$ 650,000
Add: contributions	-	1,000,000
Less:		
Mortgage principal and interest payments	(155,184)	(155,184)
Condominium assessment	(33,926)	(78,389)
Southeast United States expansion program	-	(90,043)
Other	<u>-</u>	<u>(4,348)</u>
Balance, end of year	<u>\$ 1,132,926</u>	<u>\$ 1,322,036</u>