

**LATINOJUSTICE PRLDEF  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**LATINOJUSTICE PRLDEF  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2016, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited LatinoJustice PRLDEF's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2016. In our opinion, the summarized comparative information presented herein on pages 4 - 5 for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
December 21, 2016

**LATINOJUSTICE PRLDEF  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents (inclusive of \$1,744 [2016] and \$84,510 [2015] of cash operating reserves)	\$ 28,770	\$ 653,287
Restricted cash - debt service reserve	78,906	78,906
Investments	574,304	561,730
Contributions and other receivables, net	1,008,091	761,491
Prepaid expenses and other assets	34,670	27,068
Property and equipment, net	<u>428,729</u>	<u>554,829</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,153,470</u></b>	<b><u>\$ 2,637,311</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 174,208	\$ 267,647
Unearned revenue	12,400	4,200
Loan payable	344,822	533,077
Other liabilities	<u>50,346</u>	<u>-</u>
Total liabilities	<u>581,776</u>	<u>804,924</u>
Commitments and contingencies (Notes 9 and 11)		
Net assets:		
Unrestricted:		
Operating deficit	(521,684)	(500,819)
Board-designated operating reserve	<u>888,998</u>	<u>1,132,926</u>
Total unrestricted	367,314	632,107
Temporarily restricted	<u>1,204,380</u>	<u>1,200,280</u>
Total net assets	<u>1,571,694</u>	<u>1,832,387</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,153,470</u></b>	<b><u>\$ 2,637,311</u></b>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

(With summarized comparative financial information for the year ended June 30, 2015)

	<u>2016</u>					<u>2015</u>
	<u>Unrestricted</u>			Temporarily Restricted	Total	Summarized Total
	Operating Fund	Board- Designated Operating Reserve	Total			
Support and revenue:						
Contributions	\$ 225,394	\$ -	\$ 225,394	\$ 1,276,910	\$ 1,502,304	\$ 1,466,499
Grant revenue	141,210	-	141,210	-	141,210	111,210
Event revenue, net of direct donor benefits of \$135,890 in 2016 and \$132,446 in 2015	414,268	-	414,268	-	414,268	421,834
Legal fees recovered, net	462,268	-	462,268	-	462,268	112,246
Education fees for service	62,368	-	62,368	-	62,368	96,620
Rental revenue	79,473	-	79,473	-	79,473	79,473
Interest and dividend income	13,668	-	13,668	-	13,668	2,754
Unrealized loss on investments	(14,654)	-	(14,654)	-	(14,654)	(16,529)
Net assets released from restrictions and designations	<u>1,516,738</u>	<u>(243,928)</u>	<u>1,272,810</u>	<u>(1,272,810)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,900,733</u>	<u>(243,928)</u>	<u>2,656,805</u>	<u>4,100</u>	<u>2,660,905</u>	<u>2,274,107</u>
Expenses:						
Program services:						
Litigation	1,599,687	-	1,599,687	-	1,599,687	1,657,553
Education	306,643	-	306,643	-	306,643	384,033
Advocacy, community outreach and communications	<u>399,120</u>	<u>-</u>	<u>399,120</u>	<u>-</u>	<u>399,120</u>	<u>283,854</u>
Total program services	<u>2,305,450</u>	<u>-</u>	<u>2,305,450</u>	<u>-</u>	<u>2,305,450</u>	<u>2,325,440</u>
Support services:						
Administrative and general	409,134	-	409,134	-	409,134	381,450
Development	<u>207,014</u>	<u>-</u>	<u>207,014</u>	<u>-</u>	<u>207,014</u>	<u>322,958</u>
Total support services	<u>616,148</u>	<u>-</u>	<u>616,148</u>	<u>-</u>	<u>616,148</u>	<u>704,408</u>
Total expenses	<u>2,921,598</u>	<u>-</u>	<u>2,921,598</u>	<u>-</u>	<u>2,921,598</u>	<u>3,029,848</u>
Change in net assets	(20,865)	(243,928)	(264,793)	4,100	(260,693)	(755,741)
Net assets - beginning	<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>
<b>NET ASSETS - ENDING</b>	<u>\$ (521,684)</u>	<u>\$ 888,998</u>	<u>\$ 367,314</u>	<u>\$ 1,204,380</u>	<u>\$ 1,571,694</u>	<u>\$ 1,832,387</u>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

(With summarized comparative financial information for the year ended June 30, 2015)

	2016				2015			
	Program Services			Total	Support Services		Total	
	Litigation	Education	Advocacy, Community Outreach and Communications		Administrative and General	Development		Total
Salaries and benefits	\$ 1,247,591	\$ 198,144	\$ 334,637	\$ 1,780,372	\$ 277,433	\$ 153,576	\$ 2,211,381	\$ 2,188,961
Occupancy	115,641	25,698	23,557	164,896	29,981	19,274	214,151	177,756
Professional fees	25,767	50,094	9,087	84,948	30,366	8,628	123,942	203,343
Telephone	6,710	1,491	1,367	9,568	1,740	1,118	12,426	12,935
Office expenses	7,071	1,571	1,440	10,082	1,833	1,180	13,095	19,852
Equipment costs	33,230	7,384	6,769	47,383	8,615	5,538	61,536	76,912
Publications	23,626	-	-	23,626	470	-	24,096	27,680
Expert fees and court costs	33,626	-	-	33,626	-	-	33,626	103,603
Travel, conferences, meetings and other miscellaneous	30,510	3,606	5,589	39,705	28,177	4,206	72,088	51,015
Marketing and cultivation	12,865	3,523	2,803	19,191	3,335	2,145	24,671	35,801
Interest expense	-	-	-	-	4,486	-	4,486	5,890
Depreciation	63,050	15,132	13,871	92,053	22,698	11,349	126,100	126,100
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,599,687</u></b>	<b><u>\$ 306,643</u></b>	<b><u>\$ 399,120</u></b>	<b><u>\$ 2,305,450</u></b>	<b><u>\$ 409,134</u></b>	<b><u>\$ 207,014</u></b>	<b><u>\$ 2,921,598</u></b>	<b><u>\$ 3,029,848</u></b>

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (260,693)	\$ (755,741)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	126,100	126,100
Discount to present value for contributions and other receivable	-	41,195
Donated securities	(5,689)	(40,417)
Net unrealized losses on investments	14,654	16,529
Changes in assets and liabilities:		
Contributions and other receivables	(246,600)	195,866
Prepaid expenses and other assets	(7,602)	(2,564)
Accounts payable and accrued expenses	(93,439)	43,346
Other liabilities	50,346	-
Unearned revenue	<u>8,200</u>	<u>(56,750)</u>
Net cash used in operating activities	<u>(414,723)</u>	<u>(432,436)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	34,364	-
Purchases of investments	<u>(55,903)</u>	<u>(537,842)</u>
Net cash used in investing activities	<u>(21,539)</u>	<u>(537,842)</u>
Cash used in financing activities:		
Repayment of mortgage payable	<u>(188,255)</u>	<u>(148,922)</u>
Net decrease in cash and cash equivalents	(624,517)	(1,119,200)
Cash and cash equivalents - beginning	<u>653,287</u>	<u>1,772,487</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 28,770</u></b>	<b><u>\$ 653,287</u></b>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 4,486</u>	<u>\$ 6,263</u>

See accompanying notes to financial statements.



**LATINOJUSTICE PRLDEF  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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.

Recent accounting pronouncements

Effective for the year ending June 30, 2019, the Organization will be required to adopt the requirements of recent accounting guidance which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. The effect of adopting this new guidance on the Organization's financial statements has not yet been determined.

Effective for the year ending June 30, 2020, the Organization will adopt the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which will replace the current

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

Recently accounting pronouncements (continued)

revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting ASU 2014-09 on the Organization's financial statements has not yet been determined.

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.

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 statement 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 4 for a discussion of fair value measurements.

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

Fair value measurement

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

Fair value measurement (continued)

measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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

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

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

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

Property and equipment

The Organization's policy is to capitalize property and equipment 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 three 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 statement of activities.

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.

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 \$2,551,126 and \$3,516,194 for the years ended June 30, 2016 and

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

Donated securities, goods and services (continued)

2015, respectively, has not been reflected in the accompanying financial statements.

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement 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 or functional expense classifications. 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, 2015, 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 2012.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through December 21, 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 these financial statements.

**NOTE 3. CONTRIBUTIONS AND OTHER RECEIVABLES**

As of June 30, 2016 and 2015, contributions and other receivables are due as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 706,256	\$ 373,635
Receivable in one to five years	<u>343,030</u>	<u>429,051</u>
	1,049,286	802,686
Less: discounts to net present value	<u>41,195</u>	<u>41,195</u>
	<u>\$ 1,008,091</u>	<u>\$ 761,491</u>

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 3. CONTRIBUTIONS AND OTHER RECEIVABLES (CONTINUED)**

Contributions due in more than one year are reflected at the net present value of estimated future cash flows using discount rates of 3.90% and 3.87% for pledges made during the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016 and 2015, approximately 52% and 31%, respectively, of the Organization's receivables were derived from one institutional donor.

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

**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).

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables summarize the Organization's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2016 and 2015:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2016	Valuation Technique
Common stocks:					
Technology	\$ 3,036	\$ -	\$ -	\$ 3,036	(a)
Exchange-traded funds:					
Social index	110,494	-	-	110,494	(a)
Multi-alternative	29,419	-	-	29,419	(a)
Health	2,831	-	-	2,831	(a)
Diversified emerging mkts	44,849	-	-	44,849	(a)
Mutual funds:					
Small value	43,995	-	-	43,995	(a)
Small blend	42,757	-	-	42,757	(a)
Global real estate and income	36,981	-	-	36,981	(a)
Debt and equity income	30,249	-	-	30,249	(a)
Investment-grade debt securities	63,017	-	-	63,017	(a)
Emerging markets bond	29,265	-	-	29,265	(a)
Global	121,748	-	-	121,748	(a)
Preferred stock	<u>15,663</u>	<u>-</u>	<u>-</u>	<u>15,663</u>	(a)
Total	<u>\$ 574,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,304</u>	

**LATINOJUSTICE PRLDEF**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2015	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.

*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.

The Organization entered into an agreement with the financial institution holding the Organization's securities to obtain a margin loan balance with the securities serving as collateral for the loan. As of June 30, 2016, the margin loan balance was \$50,346 and is classified as "Other liabilities" in the accompanying statements of financial position. The margin loan calls for monthly interest at the prime rate and/or cost of borrowing money. The interest rate at June 30, 2016, was 4.25%. Total interest charged on the margin loan for the year ended June 30, 2016, was \$331.

**LATINOJUSTICE PRLDEF  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5. PROPERTY AND EQUIPMENT**

As of June 30, 2016 and 2015, property and equipment, at cost, consisted of the following:

	2016	2015
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	2,820,350	2,694,250
	\$ 428,729	\$ 554,829

Depreciation expense was \$126,100 for each of the years ended June 30, 2016 and 2015.

**NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS**

For the year ended June 30, 2016, 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:

Capacity Building	\$	175,000
General operating support - time restricted		344,791
Immigrant Justice (Long Island)		175,417
Immigrant Justice (GOS)		112,500
Core grant (SE Region)		23,333
Voting Rights Project		216,432
LAW Special Project		15,950
Catalyst grant		5,000
CAP Leadership Institute		4,167
Capital campaign - time restricted		119,277
Annual fund - time restricted		59,143
Other		21,800
	\$	1,272,810



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**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets available for program services at June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Capacity Building	\$ -	\$ 175,000
General operating support - time restricted	562,917	207,708
Immigrant Justice (Long Island)	42,083	97,500
Immigrant Justice (GOS)	-	112,500
Voting Rights Project	116,195	197,917
Core grant (SE Region)	26,667	-
LAW Special Project	66,250	-
CAP Leadership Institute	5,833	-
Capital campaign - time restricted	189,427	231,304
Annual fund - time restricted	120,408	156,551
Other	<u>74,600</u>	<u>21,800</u>
	<u>\$ 1,204,380</u>	<u>\$ 1,200,280</u>

**NOTE 8. 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, 2016 and 2015, one institutional donor accounted for approximately 37% and 48%, respectively, of total contributions and 20% and 31%, respectively, of total support and revenue.

**NOTE 9. 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 9. 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>
2017	\$ 152,308
2018	153,835
2019	<u>38,679</u>
Total	<u>\$ 344,822</u>

**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, 2016 and 2015, marketing and cultivation costs totaled \$24,671 and \$35,801, respectively.

**NOTE 11. 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, 2016. The lease provides a base rent and 75% of all utility charges payable by the Organization. Rental revenue under this agreement totaled \$79,473 for each of the years ended June 30, 2016 and 2015. The following is a schedule of future annual minimum rental income:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 33,114

Operating lease

The Organization has an operating lease for an office in Florida, which expires in August 2018. Future minimum lease payments for the operating lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 20,188
2018	20,529
2019	<u>3,430</u>
	<u>\$ 44,147</u>

Rent expense for the years ended June 30, 2016 and 2015, amounted to \$19,776 and \$17,769, respectively.

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**NOTE 11. 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>
2017	\$ 15,510
2018	15,510
2019	<u>3,877</u>
	<u>\$ 34,897</u>

Equipment lease expense for the years ended June 30, 2016 and 2015, amounted to \$20,896 and \$26,427, respectively.

**NOTE 12. COLLECTIVE BARGAINING AGREEMENT**

The Organization negotiated a collective bargaining agreement with the LatinoJustice PRLDEF Staff Association, NOLSW, Local 2320, UAW, AFL-CIO, covering certain of its professional employees, which expires on June 30, 2018.

**NOTE 13. EMPLOYEE BENEFIT PLAN**

The Organization maintains a 403(b) plan covering all eligible employees. During the years ended June 30, 2016 and 2015, the Organization made contributions to the plan amounting to \$32,459 and \$27,578, respectively, which are included in salary and benefits in the accompanying statement of functional expenses.

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

The activity of the board-designated operating reserve for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,132,926	\$ 1,322,036
Less:		
Mortgage principal and interest payments	194,074	155,184
Condominium assessment	<u>49,854</u>	<u>33,926</u>
Balance, end of year	<u>\$ 888,998</u>	<u>\$ 1,132,926</u>