# LATINOJUSTICE PRLDEF

# FINANCIAL STATEMENTS

# YEARS ENDED JUNE 30, 2017 AND 2016

**LATINOJUSTICE PRLDEF**
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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CITRINCOOPERMAN®
Accountants and Advisors

# 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, 2017 and 2016, and the related statements of activities and functional expenses for the year ended June 30, 2017, and the statements of cash flows for the years ended June 30, 2017 and 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 audits. We conducted our audits 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.

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## 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, 2017 and 2016, and the changes in its net assets for the year ended June 30, 2017, and its cash flows for the years ended June 30, 2017 and 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2016. In our opinion, the summarized comparative information presented herein on pages 4 - 5 for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
December 20, 2017

# LATINOJUSTICE PRLDEF
# STATEMENTS OF FINANCIAL POSITION
# JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (inclusive of $1,007 [2017] and $1,744 [2016] of cash operating reserves) | $ 70,660 | $ 28,770 |
| Restricted cash - debt service reserve | 78,906 | 78,906 |
| Investments | 22,493 | 574,304 |
| Contributions and other receivables, net | 1,166,750 | 1,008,091 |
| Prepaid expenses and other assets | 34,169 | 34,670 |
| Property and equipment, net | 32,855 | 428,729 |
| Property held-for-sale, net | 364,350 | - |
| **TOTAL ASSETS** | $ 1,770,183 | $ 2,153,470 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 220,209 | $ 174,208 |
| Unearned revenue | 5,000 | 12,400 |
| Loan payable | 192,516 | 344,822 |
| Other liabilities | - | 50,346 |
| Total liabilities | 417,725 | 581,776 |
| Commitments and contingencies (Notes 10 and 12) | | |
| Net assets: | | |
| Unrestricted: | | |
| Operating deficit | (410,885) | (521,684) |
| Board-designated operating reserve | 733,814 | 888,998 |
| Total unrestricted | 322,929 | 367,314 |
| Temporarily restricted | 1,029,529 | 1,204,380 |
| Total net assets | 1,352,458 | 1,571,694 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 1,770,183 | $ 2,153,470 |

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2017**
**(with summarized comparative financial information for the year ended June 30, 2016)**

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| | Unrestricted | | | | | |
| | Operating Fund | Board-Designated Operating Reserve | Total | Temporarily Restricted | Total | Summarized Total |
| Support and revenue: | | | | | | |
| Contributions | $ 209,306 | $ - | $ 209,306 | $ 1,068,797 | $ 1,278,103 | $ 1,502,304 |
| Grant revenue | 119,948 | - | 119,948 | - | 119,948 | 141,210 |
| Event revenue, net of direct donor benefits of $133,572 in 2017 and $135,890 in 2016 | 316,521 | - | 316,521 | - | 316,521 | 414,268 |
| Legal fees recovered, net | 698,076 | - | 698,076 | - | 698,076 | 462,268 |
| Education fees for service | 60,442 | - | 60,442 | - | 60,442 | 62,368 |
| Rental revenue | 79,473 | - | 79,473 | - | 79,473 | 79,473 |
| Interest and dividend income | 82 | - | 82 | - | 82 | 13,668 |
| Net appreciation (depreciation) of investments | 14,550 | - | 14,550 | - | 14,550 | (14,654) |
| Net assets released from restrictions and designations | 1,398,832 | (155,184) | 1,243,648 | (1,243,648) | - | - |
| Total support and revenue | 2,897,230 | (155,184) | 2,742,046 | (174,851) | 2,567,195 | 2,660,905 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Litigation | 1,547,342 | - | 1,547,342 | - | 1,547,342 | 1,599,687 |
| Education | 266,048 | - | 266,048 | - | 266,048 | 306,643 |
| Advocacy, community outreach and communications | 379,155 | - | 379,155 | - | 379,155 | 399,120 |
| Total program services | 2,192,545 | - | 2,192,545 | - | 2,192,545 | 2,305,450 |
| Support services: | | | | | | |
| Administrative and general | 438,328 | - | 438,328 | - | 438,328 | 409,134 |
| Development | 155,558 | - | 155,558 | - | 155,558 | 207,014 |
| Total support services | 593,886 | - | 593,886 | - | 593,886 | 616,148 |
| Total expenses | 2,786,431 | - | 2,786,431 | - | 2,786,431 | 2,921,598 |
| Change in net assets | 110,799 | (155,184) | (44,385) | (174,851) | (219,236) | (260,693) |
| Net assets - beginning | (521,684) | 888,998 | 367,314 | 1,204,380 | 1,571,694 | 1,832,387 |
| **NET ASSETS - ENDING** | $ (410,885) | $ 733,814 | $ 322,929 | $ 1,029,529 | $ 1,352,458 | $ 1,571,694 |

See accompanying notes to financial statements.

# LATINOJUSTICE PRLDEF
## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED JUNE 30, 2017
### (with summarized comparative financial information for the year ended June 30, 2016)

| | 2017 | | | | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | Support Services | | | |
| | Litigation | Education | Advocacy, Community Outreach and Communications | Total | Administrative and General | Development | Total | Summarized Total |
| Salaries and benefits | $ 1,253,603 | $ 182,287 | $ 322,415 | $ 1,758,305 | $ 282,772 | $ 131,510 | $ 2,172,587 | $ 2,211,381 |
| Occupancy | 95,220 | 14,525 | 17,753 | 127,498 | 24,208 | 9,683 | 161,389 | 214,151 |
| Professional fees | 26,446 | 51,738 | 4,931 | 83,115 | 27,713 | 2,689 | 113,517 | 123,942 |
| Telephone | 8,126 | 1,240 | 1,515 | 10,881 | 2,066 | 826 | 13,773 | 12,426 |
| Office expenses | 5,097 | 778 | 950 | 6,825 | 1,296 | 518 | 8,639 | 13,095 |
| Equipment costs | 36,181 | 5,519 | 6,746 | 48,446 | 9,198 | 3,679 | 61,323 | 61,536 |
| Publications | 23,979 | - | 61 | 24,040 | 134 | - | 24,174 | 24,096 |
| Expert fees and court costs | 13,096 | - | - | 13,096 | - | - | 13,096 | 33,626 |
| Travel, conferences, meetings and other miscellaneous | 30,398 | 1,542 | 14,493 | 46,433 | 74,030 | 1,039 | 121,502 | 72,088 |
| Marketing and cultivation | 36,596 | 5,583 | 6,823 | 49,002 | 9,304 | 3,722 | 62,028 | 24,671 |
| Interest expense | - | - | - | - | 2,878 | - | 2,878 | 4,486 |
| Depreciation | 18,600 | 2,836 | 3,468 | 24,904 | 4,729 | 1,892 | 31,525 | 126,100 |
| **TOTAL EXPENSES** | $ 1,547,342 | $ 266,048 | $ 379,155 | $ 2,192,545 | $ 438,328 | $ 155,558 | $ 2,786,431 | $ 2,921,598 |

See accompanying notes to financial statements.

**LATINOJUSTICE PRLDEF**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (219,236) | $ (260,693) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 31,525 | 126,100 |
| Discount to present value for contributions and other receivables | (12,917) | - |
| Bad debt expense | 63,556 | - |
| Donated securities | (25,621) | (5,689) |
| Net unrealized (gains) losses on investments | (14,550) | 14,654 |
| Changes in assets and liabilities: | | |
| Contributions and other receivables | (209,298) | (246,600) |
| Prepaid expenses and other assets | 501 | (7,602) |
| Accounts payable and accrued expenses | 46,001 | (93,439) |
| Other liabilities | (50,346) | 50,346 |
| Unearned revenue | (7,400) | 8,200 |
| Net cash used in operating activities | (397,785) | (414,723) |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 593,068 | 34,364 |
| Purchases of investments | (1,087) | (55,903) |
| Net cash provided by (used in) investing activities | 591,981 | (21,539) |
| Cash used in financing activities: | | |
| Repayment of mortgage payable | (152,306) | (188,255) |
| Net increase (decrease) in cash and cash equivalents | 41,890 | (624,517) |
| Cash and cash equivalents - beginning | 28,770 | 653,287 |
| **CASH AND CASH EQUIVALENTS - ENDING** | $ 70,660 | $ 28,770 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 2,878 | $ 4,486 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Transfer of property to held-for-sale | $ 2,357,943 | $ - |

See accompanying notes to financial statements.

## NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

LatinoJustice PRLDEF (the "Organization") is a national civil rights organization. The Organization was founded in 1972 to protect the civil and human rights of Puerto Ricans and the wider Latino community and to ensure their equal protection under the law.

The Organization accomplishes its mission through litigation, education 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 Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, 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 and related disclosures has not yet been determined.

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

Recent accounting pronouncements (continued)
Effective for the year ending June 30, 2020, the Organization will adopt the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers,* which will replace the current revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting ASU 2014-09 on the Organization's financial statements and related disclosures 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." Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

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.

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

Fair value measurement (continued)
The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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

> Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and equipment
The Organization's policy is to capitalize property and equipment 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.

Long-lived assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell, but are not depreciated.

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Organization assesses recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Organization determines that the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value.

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

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 Organization's management 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 $3,127,823 and $2,551,126 for the years ended June 30, 2017 and 2016, 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, 2016, 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.

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

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through December 20, 2017, the date on which these financial statements were available to be issued. Except for the closing of the sale of the condominium units disclosed in Note 6, 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, 2017 and 2016, contributions and other receivables are due as follows:

| | 2017 | 2016 |
|---|---|---|
| Receivable in less than one year | $ 1,040,074 | $ 706,256 |
| Receivable in one to five years | 214,510 | 343,030 |
| | 1,254,584 | 1,049,286 |
| Less: allowance for uncollectible contributions and other receivables | 59,556 | - |
| Less: discount to net present value | 28,278 | 41,195 |
| Net contributions and other receivables | $ 1,166,750 | $ 1,008,091 |

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

As of June 30, 2017 and 2016, approximately 16% and 52%, 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, $59,556 has been reserved for collections of contributions and other receivables as of June 30, 2017.

## 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).

**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, 2017 and 2016:

| 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, 2017 | Valuation Technique |
|---|---|---|---|---|---|---|---|---|---|
| Common stocks: | | | | | | | | | |
| Health - medical equipment and supplies | $ | 20,011 | $ | - | $ | - | $ | 20,011 | (a) |
| Exchange-traded funds: | | | | | | | | | |
| Health - biotechnology | | 2,482 | | - | | - | | 2,482 | (a) |
| Total | $ | 22,493 | $ | - | $ | - | $ | 22,493 | |

| 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 markets | | 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 | | 15,663 | | - | | - | | 15,663 | (a) |
| Total | $ | 574,304 | $ | - | $ | - | $ | 574,304 | |

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 held in such funds.

## NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization entered into a margin agreement with the financial institution holding the Organization's securities. The margin agreement enables the Organization to borrow funds from the financial institution to purchase securities, with the securities serving as collateral for the loan. As of June 30, 2017 and 2016, the margin loan balance was $- and $50,346, respectively, and is classified as "Other liabilities" in the accompanying statements of financial position. Balances outstanding under the margin agreement bear interest at rates as described in the agreement. 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.

## NOTE 5. PROPERTY AND EQUIPMENT

As of June 30, 2017 and 2016, property and equipment, at cost, consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Condominium units and improvements | $ - | $ 2,357,943 |
| Furniture, fixtures and equipment | 682,897 | 682,897 |
| Legal library | 208,239 | 208,239 |
| | 891,136 | 3,249,079 |
| Less: accumulated depreciation | 858,281 | 2,820,350 |
| | $ 32,855 | $ 428,729 |

Depreciation expense was $31,525 and $126,100 for the years ended June 30, 2017 and 2016, respectively.

## NOTE 6. PROPERTY HELD-FOR-SALE

Property held-for-sale at June 30, 2017, consisted of the following:

| | 2017 |
|---|---|
| Condominium units and improvements | $ 2,357,943 |
| Less: accumulated depreciation | 1,993,593 |
| Property held-for-sale, net | $ 364,350 |

During the year ended June 30, 2017, the Board of Directors of the Organization decided to sell the condominium units that they own and use as their operating facilities in New York City and move their operations to a different location. Accordingly, at the date of this decision, the cost of the property, net of its accumulated depreciation, was reclassified to property held-for-sale, and no further depreciation has been recorded.

On June 21, 2017, the Organization entered into a contract to sell the units for $10,400,000, subject to approval by the New York State Office of the Attorney General ("Attorney General"). The Attorney General's approval was received on November 18, 2017, and the closing occurred on December 20, 2017. In order to assist the

## NOTE 6. PROPERTY HELD-FOR-SALE (CONTINUED)

Organization in its search for new operating space, the purchaser agreed to lease back the units to the Organization for $1.00 per month for a period not to exceed nine months from the closing date. At the Organization's option, the lease can be extended on a month-to-month basis for up to an additional three months.

## NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2017, 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:

| | |
|---|---|
| General operating support - time-restricted | $ 387,500 |
| Immigrant Justice (Long Island) | 100,120 |
| Immigrant Justice (GOS) | 37,500 |
| Core grant (SE Region) | 25,000 |
| Voting Rights Project | 215,825 |
| Justice Reform Collaborative | 139,583 |
| LAW Special Project | 66,250 |
| CAP Leadership Institute | 30,833 |
| Capital campaign - time-restricted | 98,127 |
| Annual fund - time-restricted | 55,393 |
| Other | 87,517 |
| | $ 1,243,648 |

## NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for program services at June 30, 2017 and 2016, are as follows:

| | 2017 | 2016 |
|---|---|---|
| General operating support - time-restricted | $ 160,417 | $ 562,917 |
| Immigrant Justice (Long Island) | 66,963 | 42,083 |
| Immigrant Justice (GOS) | 112,500 | - |
| Voting Rights Project | 1,250 | 116,195 |
| Justice Reform Collaborative | 385,417 | - |
| Core grant (SE Region) | 16,667 | 26,667 |
| LAW Special Project | 60,000 | 66,250 |
| CAP Leadership Institute | 25,000 | 5,833 |
| Capital campaign - time-restricted | 116,300 | 189,427 |
| Annual fund - time-restricted | 65,015 | 120,408 |
| Other | 20,000 | 74,600 |
| | $ 1,029,529 | $ 1,204,380 |

## 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, 2017 and 2016, one institutional donor accounted for approximately 39% and 37%, respectively, of total contributions and 19% and 20%, 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, was 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.

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

| Year ending June 30: | Amount |
|---|---|
| 2018 | $ 153,837 |
| 2019 | 38,679 |
| Total | $ 192,516 |

## 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, 2017 and 2016, marketing and cultivation costs totaled $62,028 and $24,671, respectively.

## NOTE 12. COMMITMENTS

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:

| Year ending June 30: | Amount |
|---|---|
| 2018 | $ 20,529 |
| 2019 | 3,430 |
| | $ 23,959 |

Rent expense for the years ended June 30, 2017 and 2016, amounted to $20,186 and $19,776, respectively.

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:

| Year ending June 30: | Amount |
|---|---|
| 2018 | $ 15,510 |
| 2019 | 3,877 |
| | $ 19,387 |

Equipment lease expense for the years ended June 30, 2017 and 2016, amounted to $22,070 and $20,896, 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 expires on June 30, 2018.

## NOTE 14. EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) plan covering all eligible employees. During the years ended June 30, 2017 and 2016, the Organization made contributions to the plan amounting to $40,705 and $32,459, respectively, which are included in salaries and benefits in the accompanying statement of functional expenses.

## NOTE 15. BOARD-DESIGNATED OPERATING RESERVE

The activity of the board-designated operating reserve for 2017 and 2016 was as follows:

| | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | $ 888,998 | $ 1,132,926 |
| Less: | | |
| Mortgage principal and interest payments | 155,184 | 194,074 |
| Condominium assessment | - | 49,854 |
| Balance, end of year | $ 733,814 | $ 888,998 |