LATINOJUSTICE PRLDEF

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

LATINOJUSTICE PRLDEF
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities and functional expenses for the year ended June 30, 2018, and the statements of cash flows for the years ended June 30, 2018 and 2017, 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.

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, 2018 and 2017, and the changes in its net assets for the year ended June 30, 2018, and its cash flows for the years ended June 30, 2018 and 2017, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2017. In our opinion, the summarized comparative information presented herein on pages 4 - 5 for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
March 29, 2019

LATINOJUSTICE PRLDEF
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents:		
Cash available for use in operations (inclusive of $1,775 in 2018 and $1,007 in 2017 of cash operating reserves)	$ 1,764,476	$ 70,660
Certificates of deposit	8,850,000	-
Total cash and cash equivalents	10,614,476	70,660
Restricted cash - debt service reserve	-	78,906
Investments	4,173	22,493
Contributions and other receivables, net	661,115	1,166,750
Prepaid expenses and other assets	40,800	34,169
Property and equipment, net	-	32,855
Property held-for-sale, net	-	364,350
TOTAL ASSETS	$ 11,320,564	$ 1,770,183
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 206,008	$ 220,209
Unearned revenue	8,000	5,000
Loan payable	-	192,516
Total liabilities	214,008	417,725
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted:		
Operating fund (deficit)	9,555,643	(410,885)
Board-designated operating reserve	540,475	733,814
Total unrestricted	10,096,118	322,929
Temporarily restricted	1,010,438	1,029,529
Total net assets	11,106,556	1,352,458
TOTAL LIABILITIES AND NET ASSETS	$ 11,320,564	$ 1,770,183

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative financial information for the year ended June 30, 2017)

	2018					2017
	Unrestricted					
	Operating Fund	Board-Designated Operating Reserve	Total	Temporarily Restricted	Total	Summarized Total
Support and revenue:						
Contributions	$ 594,566	$ -	$ 594,566	$ 2,163,503	$ 2,758,069	$ 1,278,103
Grant revenue	294,537	-	294,537	-	294,537	119,948
Event revenue, net of direct donor benefits of $133,320 in 2018 and $133,572 in 2017	458,855	-	458,855	-	458,855	316,521
In-kind rent (Note 6)	315,182	-	315,182	-	315,182	-
Legal fees recovered, net	64,075	-	64,075	-	64,075	698,076
Education fees for service	37,890	-	37,890	-	37,890	60,442
Rental revenue	37,093	-	37,093	-	37,093	79,473
Interest and dividend income	7,551	-	7,551	-	7,551	82
Net appreciation (depreciation) of investments	(130)	-	(130)	-	(130)	14,550
Net assets released from restrictions and designations	2,375,933	(193,339)	2,182,594	(2,182,594)	-	-
Total support and revenue	4,185,552	(193,339)	3,992,213	(19,091)	3,973,122	2,567,195
Expenses:						
Program services:						
Litigation	2,192,497	-	2,192,497	-	2,192,497	1,547,342
Education	304,051	-	304,051	-	304,051	266,048
Advocacy, community outreach and communications	497,404	-	497,404	-	497,404	379,155
Total program services	2,993,952	-	2,993,952	-	2,993,952	2,192,545
Support services:						
Administrative and general	568,782	-	568,782	-	568,782	438,328
Development	215,069	-	215,069	-	215,069	155,558
Total support services	783,851	-	783,851	-	783,851	593,886
Total expenses	3,777,803	-	3,777,803	-	3,777,803	2,786,431
Other income:						
Gain on sale of property and equipment	9,558,779	-	9,558,779	-	9,558,779	-
Change in net assets	9,966,528	(193,339)	9,773,189	(19,091)	9,754,098	(219,236)
Net assets - beginning	(410,885)	733,814	322,929	1,029,529	1,352,458	1,571,694
NET ASSETS - ENDING	$ 9,555,643	$ 540,475	$ 10,096,118	$ 1,010,438	$ 11,106,556	$ 1,352,458

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative financial information for the year ended June 30, 2017)

	2018							2017
	Program Services				Support Services			
	Litigation	Education	Advocacy, Community Outreach and Communications	Total	Administrative and General	Development	Total	Summarized Total
Salaries and benefits	$ 1,419,001	$ 196,320	$ 356,086	$ 1,971,407	$ 342,798	$ 155,751	$ 2,469,956	$ 2,172,587
Occupancy (includes in-kind rent of $315,182 at June 30, 2018)	257,834	35,563	35,563	328,960	80,019	35,563	444,542	161,389
Professional fees	307,749	55,794	46,517	410,060	94,194	6,574	510,828	113,517
Telephone	8,239	1,139	1,137	10,515	2,557	1,137	14,209	13,773
Office expenses	20,923	2,886	2,886	26,695	6,493	2,886	36,074	8,639
Equipment costs	40,200	5,545	5,545	51,290	12,476	5,545	69,311	61,323
Publications	25,575	-	-	25,575	3,789	84	29,448	24,174
Expert fees and court costs	19,106	-	-	19,106	-	-	19,106	13,096
Travel, conferences, meetings and other miscellaneous	59,105	2,055	44,921	106,081	13,684	2,780	122,545	121,502
Marketing and cultivation	15,381	2,121	2,121	19,623	4,773	2,121	26,517	62,028
Interest expense	-	-	-	-	2,414	-	2,414	2,878
Depreciation	19,384	2,628	2,628	24,640	5,585	2,628	32,853	31,525
TOTAL EXPENSES	$ 2,192,497	$ 304,051	$ 497,404	$ 2,993,952	$ 568,782	$ 215,069	$ 3,777,803	$ 2,786,431

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 9,754,098	$ (219,236)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,853	31,525
Discount to present value for contributions and other receivables	(14,434)	(12,917)
Bad debt expense	-	63,556
Donated securities	(4,102)	(25,621)
Gain on sale of property and equipment	(9,558,779)	-
Adjustment for rent and maintenance fees at real estate closing	3,851	-
Net unrealized losses (gains) on investments	130	(14,550)
Changes in assets and liabilities:		
Contributions and other receivables	520,069	(209,298)
Prepaid expenses and other assets	(6,626)	501
Accounts payable and accrued expenses	(14,200)	46,001
Other liabilities	-	(50,346)
Unearned revenue	3,000	(7,400)
Net cash provided by (used in) operating activities	715,860	(397,785)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	9,764,735	-
Proceeds from sales of investments	22,288	593,068
Purchases of investments	-	(1,087)
Net cash provided by investing activities	9,787,023	591,981
Cash flows from financing activities:		
Repayment of mortgage payable	(37,973)	(152,306)
Release of restriction on cash for debt service reserve	78,906	-
Net cash provided by (used in) financing activities	40,933	(152,306)
Net increase in cash and cash equivalents	10,543,816	41,890
Cash and cash equivalents - beginning	70,660	28,770
CASH AND CASH EQUIVALENTS - ENDING	$ 10,614,476	$ 70,660
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,414	$ 2,878
Supplemental disclosures of noncash investing and financing activities:		
Transfer of property to held-for-sale	$ -	$ 2,357,943
Noncash settlements at real estate closing:		
Real estate commissions and other closing costs	$ 476,871	$ -
Mortgage payoff	$ 154,543	$ -
Rent and maintenance fee adjustments	$ 3,851	$ -

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 Financial Statements
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 ("U.S. 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Issued but not yet Effective
Effective for the year ending June 30, 2019, the Organization will adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of 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 is not expected to significantly impact the presentation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Issued but not yet Effective (Continued)
Effective for the year ending June 30, 2020, the Organization will adopt FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance provides clarification surrounding contributions received and made by not-for-profit entities, as well as new guidance related to the accounting for federal grants and similar contracts received by not-for-profit entities. The effect of adopting this new guidance on the Organization's financial statements is not expected to significantly impact the presentation of the financial statements.

Effective for the year ending June 30, 2020, the Organization will adopt the provisions of FASB ASU No. 2014-09, *Revenue from Contracts with Customers,* which will replace the current revenue recognition guidance pertaining to contracts with customers contained in U.S. GAAP. The effect of adopting ASU 2014-09 on the Organization's financial statements and related disclosures has not yet been determined.

Effective for the year ending June 30, 2021, the Organization will adopt the provisions of FASB ASU No. 2016-02, *Leases,* which will replace the current guidance pertaining to lease obligations. The effect of adopting ASU 2016-02 on the Organization's financial statements and related disclosures has not yet been determined.

Revenue Recognition
Contributions are recognized as revenue in the period in which they are received or unconditionally promised. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Unconditional promises to give that are expected to be collected in future years are discounted and recorded at present value using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as contributions revenue in accordance with donor-imposed restrictions, if any, on the original contributions.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents
The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents are certificate of deposits which earn interest at an annual rate of 0.25% and mature monthly. The carrying value of the certificates of deposit at June 30, 2018, approximated fair value.

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 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-lived assets, such as property and equipment, are reviewed for impairment when events or circumstances indicate that their useful lives and/or carrying values may be impaired. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

Donated Securities, Goods and Services

Donated securities and goods are reported at their fair values as determined on the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the year ended June 30, 2018, $50,588 in pro-bono legal services received in relation to the sale of the condominium units was recognized as an in-kind contribution in the accompanying statement of activities, as these services would have been retained or paid for if they were not donated.

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 number of individuals served or modify the services provided. Accordingly, the value of such donated legal services, which amounted to $3,687,003 and $3,127,823 for the years ended June 30, 2018 and 2017, respectively, has not been reflected in the accompanying financial statements.

As disclosed in Note 6 of the financial statements, on June 21, 2017, the Organization entered into a contract to sell its condominium units. While the Organization searched for a new operating space, the purchaser of the condominium units agreed to lease back the condominium units to the Organization for $1.00 per month for a period of nine months from the closing date, with an option to extend on a month-to-month basis for up to an additional three months. The excess of the fair market value over the $1.00 per month lease amounted to $315,182 for the year ended June 30, 2018, which has been recognized as "In-kind rent" in the accompanying statement of activities, as the

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated securities, goods and services (continued)
Organization would have paid fair market value for a similar operating space had it not received this benefit.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which this summarized information was derived.

Income Tax Status
The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under this guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

Subsequent Events
In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through March 29, 2019, the date on which these financial statements were available to be issued. In August 2018, the Organization entered into an operating lease agreement for office space located in New York City, commencing in October 2018 and expiring in September 2028 (as disclosed in Note 12). In January 2019, the Organization entered into a short-term month-to-month contract with WeWorks, which will serve as the Organization's interim headquarters. There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. CONTRIBUTIONS AND OTHER RECEIVABLES

As of June 30, 2018 and 2017, contributions and other receivables are due as follows:

	2018	2017
Receivable in less than one year	$ 648,025	$ 1,040,074
Receivable in one to five years	86,490	214,510
	734,515	1,254,584
Less: allowance for uncollectible contributions and other receivables	59,556	59,556
Less: discount to net present value	13,844	28,278
Contributions and other receivables, net	$ 661,115	$ 1,166,750

As of June 30, 2018 approximately 41% of the Organization's receivables was derived from two institutional donors. As of June 30, 2017 approximately 16% of the Organization's receivables was 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, 2018 and 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).

The following tables summarize the Organization's assets measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy as of June 30, 2018 and 2017:

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, 2018	Valuation Technique
Exchange-traded funds:					
Health - biotechnology	$ 4,173	$ -	$ -	$ 4,173	(a)
Total	$ 4,173	$ -	$ -	$ 4,173	

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, 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	

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 funds: valued at quoted market prices, which represent the net asset value of the securities held 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 those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5. PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment, at cost, consisted of the following:

	2018	2017
Furniture, fixtures and equipment	682,897	682,897
Legal library	208,239	208,239
	891,136	891,136
Less: accumulated depreciation	891,136	858,281
	$ -	$ 32,855

Depreciation expense was $32,853 and $31,525 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6. PROPERTY HELD-FOR-SALE

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

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

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

During the year ended June 30, 2017, the Board of Directors of the Organization decided to sell the condominium units that the Organization owned and used 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 condominium 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. The Organization received net proceeds of $9,764,735 after closing costs of $436,039 for real estate sale commission, $41,800 of underwriting commission, $154,543 of payoff of mortgage, and $3,851 of rent and maintenance fees, net of $968 of interest received on purchase price deposit. Of the $9,764,735 received, approximately $2,000,000 will be used towards the renovation of the Organization's new headquarters. Of the remaining balance, approximately $5,000,000 will be subsequently placed in a long-term investment portfolio pursuant to the Organization's statement of investment policies, guidelines and objectives, and approximately $2,700,000 will remain invested in certificates of deposit.

In order to assist the Organization in its search for new operating space, the purchaser agreed to lease back the condominium units to the Organization for $1.00 per month for a period of nine months from the closing date, with an option to extend the lease on a month-to-month basis for an additional three months.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2018, temporarily restricted net assets were released from donor restrictions either due to the Organization meeting the donor requirements by providing program services, or by the lapse of a time restriction:

General operating support - time-restricted	$ 160,417
Immigrant Justice (Long Island)	178,825
Immigrant Justice (GOS)	134,167
Core grant (SE Region)	16,667
Voting Rights Project	57,980
Justice Reform Collaborative	268,750
Criminal Justice Reform	814,125
Rebuilding Puerto Rico	274,417
LAW Special Project	60,000
CAP Leadership Institute	26,667
Capital campaign - time-restricted	97,627
Annual fund - time-restricted	55,393
Other	37,559
	$ 2,182,594

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for program services at June 30, 2018 and 2017, are as follows:

	2018	2017
General operating support - time-restricted	$ -	$ 160,417
Immigrant Justice (Long Island)	24,347	66,963
Immigrant Justice (GOS)	333,333	112,500
Voting Rights Project	56,730	1,250
Justice Reform Collaborative	116,667	385,417
Core grant (SE Region)	-	16,667
Criminal Justice Reform	144,775	-
Rebuilding Puerto Rico	166,583	-
LAW Special Project	70,000	60,000
CAP Leadership Institute	8,333	25,000
Capital campaign - time-restricted	43,673	116,300
Annual fund - time-restricted	9,622	65,015
Other	36,375	20,000
	$ 1,010,438	$ 1,029,529

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. As of June 30, 2018, the Organization's cash and cash equivalents and investments, placed in one account with a major financial institution 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, 2018 and 2017, one institutional donor accounted for approximately 28% and 39%, respectively, of total contributions and 20% and 19%, 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 was secured by a mortgage on the Organization's property, and the Organization granted 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 was 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 continued through December 2017, when the Organization sold the condominium units that they own and the loan was repaid in full.

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, 2018 and 2017, marketing and cultivation costs totaled $26,517 and $62,028, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Operating Leases - Office Space
The Organization leases office space in Florida and Puerto Rico under operating leases which expire through August 2021. Additionally, in August 2018, the Organization entered into an operating lease agreement for office space located in New York City, commencing in October 2018 and expiring in September 2028. Future minimum lease payments for the operating leases, including the New York City operating lease obligations, are as follows:

Year ending June 30:	Amount
2019	$ 175,843
2020	221,146
2021	203,057
2022	199,418
2023	199,418
Thereafter	1,046,943
	$ 2,045,825

Rent expense for the years ended June 30, 2018 and 2017, amounted to $340,686 and $20,186, respectively. Rent expense of $340,686 for the year ended June 30, 2018, reflects $315,182 of in-kind rent, as disclosed in Note 2 of the financial statements in "Donated Securities, Goods and Services."

On January 1, 2019, the Organization entered into a short-term month-to-month contract with WeWorks, which will serve as the Organization's interim headquarters. The Organization anticipates moving into the new space in New York City by May 15, 2019. The expected rental costs related to WeWorks through the anticipated date on which the Organization intends to move to their new space is approximately $40,000.

Operating Lease - Equipment
The Organization has an operating lease for office equipment, which expires on September 30, 2018. Future minimum lease payments due through the termination of the lease amount to $3,877.

Equipment lease expense for the years ended June 30, 2018 and 2017, amounted to $23,170 and $22,070, respectively.

Construction Commitment
In December 2018, the Organization entered into an agreement for construction to be performed in the new operating facilities in New York City for approximately $2,000,000.

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. At June 30, 2018, the Organization had a total of 24 employees, of which approximately 50% are represented by the union. The existing union agreement expired on June 30, 2018. As of the date of the financial statements, the Organization was in negotiations to finalize a new collective bargaining agreement.

NOTE 14. EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) plan covering all eligible employees. During the years ended June 30, 2018 and 2017, the Organization made contributions to the plan amounting to $37,470 and $40,705, 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 2018 and 2017 was as follows:

	2018	2017
Balance, beginning of year	$ 733,814	$ 888,998
Less: mortgage principal and interest payments	193,339	155,184
Balance, end of year	$ 540,475	$ 733,814

The Organization board had decided, in prior years, to designate a portion of its unrestricted net assets to be used for debt service obligations. Upon the sale of the condominium units and the payoff of the mortgage, the board redesignated these reserves to be used for future New York City lease and other occupancy commitments.

NOTE 16. RELATED PARTY TRANSACTIONS

As part of carrying out its mission, the Organization received pro-bono legal services amounting to $3,687,003 and $3,127,823 for the years ended June 30, 2018 and 2017, respectively, of which $723,735 and $785,064, respectively, were received from various law firms related to board members. As disclosed in Note 2 of the financial statements in "Donated Securities, Goods and Services," these amounts have not been reflected in the accompanying financial statements because management has indicated that it would not have been purchased these services if they were not donated.

Additionally, for the year ended June 30, 2018, the Organization received $50,588 of pro-bono legal services from a law firm related to a board member in relation to the sale of the condominium units. As disclosed in Note 2 of the financial statements in "Donated Securities, Goods and Services," the Organization recognized the value of these services as an in-kind contribution in the accompanying statement of activities, as these services would have been retained or paid for if they were not donated.