

**LATINOJUSTICE PRLDEF
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(with comparative information for the
year ended June 30, 2020)**

LATINOJUSTICE PRLDEF
FOR THE YEAR ENDED JUNE 30, 2021
(with comparative information for the year ended June 30, 2020)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LatinoJustice PRLDEF

We have audited the accompanying financial statements of LatinoJustice PRLDEF (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LatinoJustice PRLDEF as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited LatinoJustice PRLDEF's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
January 21, 2022

LATINOJUSTICE PRLDEF
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(with comparative information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Cash available for use in operations (inclusive of \$647,210 in 2021 and \$138,815 in 2020 of cash operating reserves)	\$ 1,624,835	\$ 4,566,277
Certificates of deposit	<u>3,500,000</u>	<u>900,000</u>
Total cash and cash equivalents	5,124,835	5,466,277
Investments	9,612,854	5,192,790
Contributions and other receivables, net	2,039,378	682,825
Prepaid expenses and other assets	127,046	89,452
Property and equipment, net	<u>2,169,705</u>	<u>2,472,711</u>
TOTAL ASSETS	<u>\$ 19,073,818</u>	<u>\$ 13,904,055</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 334,881	\$ 380,072
Refundable advance - Paycheck Protection Program (Note 16)	107,727	147,151
Other liabilities	<u>38,248</u>	<u>24,173</u>
Total liabilities	<u>480,856</u>	<u>551,396</u>
Commitments and contingencies (Notes 11 and 16)		
Net assets:		
Without donor restrictions:		
Operating fund	8,439,629	7,481,562
Board-designated operating reserve	<u>5,396,414</u>	<u>4,709,432</u>
Total net assets without donor restrictions	13,836,043	12,190,994
With donor restrictions	<u>4,756,919</u>	<u>1,161,665</u>
Total net assets	<u>18,592,962</u>	<u>13,352,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,073,818</u>	<u>\$ 13,904,055</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative financial information for the year ended June 30, 2020)

	2021					2020
	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>	<u>Total</u>	<u>Summarized Total</u>
	<u>Operating Fund</u>	<u>Board- Designated Operating Reserve</u>	<u>Total</u>			
Support and revenue:						
Contributions	\$ 580,747	\$ -	\$ 580,747	\$ 6,585,979	\$ 7,166,726	\$ 6,008,595
Grant revenue (Note 16)	580,515	-	580,515	-	580,515	627,718
Event revenue, net of direct donor benefits of \$72,700 in 2021 and \$170,617 in 2020	493,274	-	493,274	-	493,274	479,309
Donated services	91,861	-	91,861	-	91,861	-
Legal fees recovered, net	240,750	-	240,750	-	240,750	872,616
Education fees for service	23,855	-	23,855	-	23,855	16,995
Interest and dividend income	60,383	103,909	164,292	-	164,292	144,266
Net appreciation of investments	410,455	796,417	1,206,872	-	1,206,872	80,389
Net assets released from donor restrictions and designations	<u>3,204,069</u>	<u>(213,344)</u>	<u>2,990,725</u>	<u>(2,990,725)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,685,909</u>	<u>686,982</u>	<u>6,372,891</u>	<u>3,595,254</u>	<u>9,968,145</u>	<u>8,229,888</u>
Expenses:						
Program services:						
Litigation	2,394,499	-	2,394,499	-	2,394,499	2,202,928
Education	315,204	-	315,204	-	315,204	313,743
Advocacy, community outreach and communications	<u>1,076,558</u>	<u>-</u>	<u>1,076,558</u>	<u>-</u>	<u>1,076,558</u>	<u>1,122,196</u>
Total program services	<u>3,786,261</u>	<u>-</u>	<u>3,786,261</u>	<u>-</u>	<u>3,786,261</u>	<u>3,638,867</u>
Supporting services:						
Administrative and general	624,696	-	624,696	-	624,696	527,234
Development	<u>316,885</u>	<u>-</u>	<u>316,885</u>	<u>-</u>	<u>316,885</u>	<u>371,272</u>
Total supporting services	<u>941,581</u>	<u>-</u>	<u>941,581</u>	<u>-</u>	<u>941,581</u>	<u>898,506</u>
Total expenses	<u>4,727,842</u>	<u>-</u>	<u>4,727,842</u>	<u>-</u>	<u>4,727,842</u>	<u>4,537,373</u>
Changes in net assets	958,067	686,982	1,645,049	3,595,254	5,240,303	3,692,515
Net assets - beginning	<u>7,481,562</u>	<u>4,709,432</u>	<u>12,190,994</u>	<u>1,161,665</u>	<u>13,352,659</u>	<u>9,660,144</u>
NET ASSETS - ENDING	<u>\$ 8,439,629</u>	<u>\$ 5,396,414</u>	<u>\$ 13,836,043</u>	<u>\$ 4,756,919</u>	<u>\$ 18,592,962</u>	<u>\$ 13,352,659</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative financial information for the year ended June 30, 2020)

	2021								2020	
	Program Services				Supporting Services					
	Litigation	Education	Advocacy, Community Outreach and Communications	Total Program Services	Administrative and General	Development	Total Supporting Services	Direct Benefit to Donors		
Salaries and benefits	\$1,660,991	\$ 219,803	\$ 611,372	\$ 2,492,166	\$ 362,634	\$ 224,782	\$ 587,416	\$ -	\$ 3,079,582	\$ 3,135,047
Occupancy	136,466	19,236	89,187	244,889	38,473	24,732	63,205	-	308,094	307,822
Professional fees	206,031	7,482	132,415	345,928	130,322	18,733	149,055	-	494,983	459,677
Telephone	11,627	1,966	8,037	21,630	3,933	2,528	6,461	-	28,091	18,704
Office	5,949	747	3,592	10,288	2,467	960	3,427	-	13,715	12,455
Non-capital equipment	35,086	5,934	24,252	65,272	11,868	7,629	19,497	-	84,769	81,054
Publications	29,170	736	3,007	32,913	1,471	946	2,417	-	35,330	28,132
Expert fees and court costs	24,013	-	-	24,013	-	-	-	-	24,013	8,083
Travel, conferences, meetings and other miscellaneous	31,750	29,346	33,123	94,219	7,779	4,886	12,665	60,139	167,023	291,801
Marketing and cultivation	33,853	942	77,730	112,525	17,821	2,168	19,989	12,561	145,075	62,207
Bad debt	10,347	1,750	7,153	19,250	3,500	2,250	5,750	-	25,000	-
Depreciation	125,413	21,211	86,690	233,314	42,421	27,271	69,692	-	303,006	303,008
Donated services	<u>83,803</u>	<u>6,051</u>	<u>-</u>	<u>89,854</u>	<u>2,007</u>	<u>-</u>	<u>2,007</u>	<u>-</u>	<u>91,861</u>	<u>-</u>
	2,394,499	315,204	1,076,558	3,786,261	624,696	316,885	941,581	72,700	4,800,542	4,707,990
Less: expenses included with event revenue on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,700)</u>	<u>(72,700)</u>	<u>(170,617)</u>
TOTAL EXPENSES	<u>\$2,394,499</u>	<u>\$ 315,204</u>	<u>\$ 1,076,558</u>	<u>\$ 3,786,261</u>	<u>\$ 624,696</u>	<u>\$ 316,885</u>	<u>\$ 941,581</u>	<u>\$ -</u>	<u>\$ 4,727,842</u>	<u>\$ 4,537,373</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(with comparative information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in operating net assets	\$ 5,240,303	\$ 3,692,515
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	303,006	303,008
Bad debt expense	25,000	-
Donated securities	(4,833)	(4,190)
Net unrealized gains on investments	(1,206,872)	(80,389)
Changes in operating assets and liabilities:		
Contributions and other receivables	(1,381,553)	(41,940)
Prepaid expenses and other assets	(37,594)	488,552
Accounts payable and accrued expenses	(45,191)	(320,776)
Refundable advance - Paycheck Protection Program	(39,424)	147,151
Other liabilities	<u>14,075</u>	<u>3,457</u>
Net cash provided by operating activities	<u>2,866,917</u>	<u>4,187,388</u>
Cash flows from investing activities:		
Proceeds from sales of investments	2,082,998	1,231,817
Purchases of investments	<u>(5,291,357)</u>	<u>(1,985,386)</u>
Net cash used in investing activities	<u>(3,208,359)</u>	<u>(753,569)</u>
Net increase (decrease) in cash and cash equivalents	(341,442)	3,433,819
Cash and cash equivalents - beginning	<u>5,466,277</u>	<u>2,032,458</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,124,835</u>	<u>\$ 5,466,277</u>

See accompanying notes to financial statements.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

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 financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The board of directors established an operating reserve to provide an internal source of funds to serve as reserves for programs and operations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and reported in the accompanying statement of activities as "Net assets released from restrictions and designations."

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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization incurs expenses that directly relate to and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. For the years ended June 30, 2021 and 2020, salaries and employee benefits are based on estimates of time and effort incurred by personnel. Occupancy, professional fees, telephone, office, non-capital equipment, publications, travel, conferences, meetings and other miscellaneous, and depreciation expenses which are not specifically attributable to a specific program or supporting activity, were allocated by management on a consistent basis among program and supporting services benefited, based on direct cost and square footage.

Revenue Recognition

The Organization derives revenue and support primarily from grants, contributions, legal fees recovered, program fees and event revenue.

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Program services are offered by the Organization throughout the course of the year. Revenues from these services are recognized over the period the services are rendered. Legal fees recovered are recognized when the Organization is the prevailing party, and at the point the court enters a final judgment or approves settlement; or the parties settle out of court. Event revenue is recognized over the period the event takes place.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and Contributions

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Grants and contributions received with donor-imposed or grantor-imposed restrictions that are fulfilled in the same year as received are reported as support without donor 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 and related disclosures.

Accounting Pronouncements Issued but not yet Effective

Leases

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with terms greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to lease arrangements. In July 2018, FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Organization to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening statement of financial position. In November 2019, FASB issued ASU No. 2019-10 *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. ASU No. 2019-10 amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2020. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for an optional election to defer the effective date for Topic 842 and related amendments for an additional year. Entities may elect to adopt the guidance on the

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Issued but not yet Effective (Continued)

Leases (Continued)

adoption of Topic 842 for annual reporting periods beginning after December 15, 2021. The Organization has determined to defer Topic 842 and is evaluating the impact this new guidance will have on its financial statements and related disclosures.

Contributed nonfinancial assets

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). ASU 2020-07 will increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the impact this new guidance will have on its financial statements and related disclosures.

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 certificates of deposit which earn interest at an annual rate of 0.25% and mature monthly. The carrying value of the certificates of deposit at June 30, 2021 and 2020, 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 5 for a discussion of fair value measurements.

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

Fair Value Measurement

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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

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

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

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

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

Property and Equipment

The Organization's policy is to capitalize property and equipment of \$5,000 or more. Maintenance and repairs are expensed as incurred. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of these assets, which ranges from five to 10 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 evaluates its long-lived assets for impairment in accordance with the guidelines of FASB ASC 360, *Property, Plant and Equipment*, whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Organization assess 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. There were no impairment charges recognized during the years ended June 30, 2021 and 2020.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

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.

For the year ended June 30, 2021, \$91,861 in donated services was received and recognized in the accompanying statement of activities, as these services would have been retained or paid for if they were not donated. There were no donated services received for the year ended June 30, 2020.

From time to time, various law firms, including those related to board members, provide legal services to the Organization and its clients 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 has not been reflected in the accompanying financial statements.

Prior-Year Summarized Comparative Information

The accompanying financial statements 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, 2020, 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.

LATINOJUSTICE PRLDEF
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with comparative information as of June 30, 2020)

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 January 21, 2022, 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. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2021:

Cash and cash equivalents	\$	5,124,835
Investments		9,612,854
Contributions and other receivables, net		<u>2,039,378</u>
Total financial assets at year end		16,777,067
Less amounts not available to be used within one year:		
Donor-restricted funds not available to support next year's operations		(2,325,000)
Board-designated funds, net of board-approved appropriations for next year's operations		<u>(5,190,759)</u>
Financial assets available to meet general expenditures within one year of the statement of financial position date	\$	<u>9,261,308</u>

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, excess cash is invested in short-term investments, including stock, mutual funds, exchange-traded funds, bonds and asset-backed securities. Board-designated funds totaling \$5,190,759 are available to the Organization for operations with board approval.

NOTE 4. CONTRIBUTIONS AND OTHER RECEIVABLES

As of June 30, 2021 and 2020, contributions and other receivables are due as follows:

	2021		2020
Receivable in less than one year	\$ 2,077,013	\$	699,565
Receivable in one to five years	<u>-</u>		<u>1,000</u>
	2,077,013		700,565
Less: allowance for uncollectible contributions and other receivables	<u>(37,635)</u>		<u>(17,740)</u>
Contributions and other receivables, net	\$ <u>2,039,378</u>	\$	<u>682,825</u>

Approximately 88% and 66% of the Organization's receivables was derived from two institutional donors as of June 30, 2021 and 2020, respectively.

LATINOJUSTICE PRLDEF
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NOTE 4. CONTRIBUTIONS AND OTHER RECEIVABLES (CONTINUED)

Based on management's experience, the aging of contributions and other receivables, subsequent receipts and current economic conditions, \$37,635 and \$17,740 have been reserved for collections of contributions and other receivables for years ended June 30, 2021 and 2020, respectively.

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

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NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2021 and 2020:

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, 2021	Valuation Technique
Common stocks:					
Basic materials	\$ 115,710	\$ -	\$ -	\$ 115,710	(a)
Communication services	124,292	-	-	124,292	(a)
Consumer cyclical	242,023	-	-	242,023	(a)
Consumer defensive	183,794	-	-	183,794	(a)
Energy	28,318	-	-	28,318	(a)
Financial services	361,331	-	-	361,331	(a)
Healthcare	437,272	-	-	437,272	(a)
Industrials	394,065	-	-	394,065	(a)
Real estate	130,158	-	-	130,158	(a)
Technology	373,964	-	-	373,964	(a)
Utilities	66,445	-	-	66,445	(a)
Total common stocks	<u>2,457,372</u>	<u>-</u>	<u>-</u>	<u>2,457,372</u>	
Bonds:					
Foreign	15,774	-	-	15,774	(a)
Municipal	50,119	-	-	50,119	(a)
U.S. corporate	360,795	-	-	360,795	(a)
U.S. government	74,746	-	-	74,746	(a)
Total bonds	<u>501,434</u>	<u>-</u>	<u>-</u>	<u>501,434</u>	
Exchange-traded funds	<u>4,339,901</u>	<u>-</u>	<u>-</u>	<u>4,339,901</u>	(a)
Mutual funds	<u>1,491,247</u>	<u>-</u>	<u>-</u>	<u>1,491,247</u>	(a)
Preferred stock	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(a)
Government asset-backed/CMO securities	<u>-</u>	<u>250,041</u>	<u>-</u>	<u>250,041</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>572,859</u>	<u>572,859</u>	(c)
Total investments	<u>\$ 8,789,954</u>	<u>\$ 250,041</u>	<u>\$ 572,859</u>	<u>\$ 9,612,854</u>	

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NOTE 5. 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, 2020	Valuation Technique
Common stocks:					
Basic materials	\$ 93,335	\$ -	\$ -	\$ 93,335	(a)
Communication services	100,928	-	-	100,928	(a)
Consumer cyclical	165,514	-	-	165,514	(a)
Consumer defensive	160,785	-	-	160,785	(a)
Energy	20,287	-	-	20,287	(a)
Financial services	247,710	-	-	247,710	(a)
Healthcare	367,023	-	-	367,023	(a)
Industrials	231,786	-	-	231,786	(a)
Real estate	116,662	-	-	116,662	(a)
Technology	288,903	-	-	288,903	(a)
Utilities	67,887	-	-	67,887	(a)
Total common stocks	<u>1,860,820</u>	<u>-</u>	<u>-</u>	<u>1,860,820</u>	
Bonds:					
Foreign	-	8,238	-	8,238	(a)
Municipal	-	31,206	-	31,206	(a)
U.S. corporate	-	228,984	-	228,984	(a)
U.S. government	-	23,675	-	23,675	(a)
Total bonds	<u>-</u>	<u>292,103</u>	<u>-</u>	<u>292,103</u>	
Exchange-traded funds	<u>1,632,828</u>	<u>-</u>	<u>-</u>	<u>1,632,828</u>	(a)
Mutual funds	<u>745,966</u>	<u>-</u>	<u>-</u>	<u>745,966</u>	(a)
Preferred stock	<u>-</u>	<u>3,551</u>	<u>-</u>	<u>3,551</u>	(a)
Government asset- backed/CMO securities	<u>-</u>	<u>129,152</u>	<u>-</u>	<u>129,152</u>	(a)
Glide Fund Series LLC	<u>-</u>	<u>-</u>	<u>528,370</u>	<u>528,370</u>	(a)
Total investments	<u>\$ 4,239,614</u>	<u>\$ 424,806</u>	<u>\$ 528,370</u>	<u>\$ 5,192,790</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.

Bonds: valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

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

Mutual funds: valued at quoted market prices, which represent the net asset value of the securities held in such funds.

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(with comparative information as of June 30, 2020)

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Preferred stocks: valued at the closing price reported on the active market on which the individual securities are traded.

Government asset-backed/CMO securities: valued using pricing models maximizing the use of observable inputs for similar securities.

Glide Fund Series LLC: valued at the Organization's share of the investments of the Glide Fund Series pooled investments as reported by the Glide Fund Series LLC and its investment managers and advisors. Redemptions can be quarterly, with 45-day redemption notice period. There is a one-year lockup redemption requirement and there are no unfunded commitments.

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.

At June 30, 2021 and 2020, the following table sets forth the changes in Level 3 investments:

	<u>2021</u>	<u>2020</u>
Balance - beginning	\$ 528,370	\$ -
Purchases	-	500,000
Interest and dividends	47,841	35,057
Investment management fees	<u>(3,352)</u>	<u>(6,687)</u>
Balance - ending	<u>\$ 572,859</u>	<u>\$ 528,370</u>

NOTE 6. PROPERTY AND EQUIPMENT

As of June 30, 2021 and 2020, property and equipment, at cost, consisted of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,441,981	\$ 2,441,981
Furniture, fixtures and equipment	<u>387,333</u>	<u>387,333</u>
	2,829,314	2,829,314
Less: accumulated depreciation	<u>(659,609)</u>	<u>(356,603)</u>
Property and equipment, net	<u>\$ 2,169,705</u>	<u>\$ 2,472,711</u>

Depreciation expense was \$303,006 for both years ended June 30, 2021 and 2020.

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NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended June 30, 2021, net assets with donor restrictions 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:

Immigrant Justice	\$ 135,568
Voting Rights	774,987
Criminal Justice Reform	748,618
Economic Justice	50,302
Time Restricted	<u>1,281,250</u>
	<u>\$ 2,990,725</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for program services at June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Immigrant Justice	\$ 24,638	\$ 100,556
Voting Rights	385,750	513,658
Criminal Justice Reform	618,048	391,667
Economic Justice	6,400	50,302
Time Restricted	3,677,083	45,832
CAP Leadership Institute	45,000	45,000
Other	<u>-</u>	<u>14,650</u>
	<u>\$ 4,756,919</u>	<u>\$ 1,161,665</u>

NOTE 9. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of insured amounts, and investments. As of June 30, 2021, 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 or the Securities Investor Protection Corporation. The Organization has not experienced any losses in such accounts.

For the years ended June 30, 2021 and 2020, one institutional donor accounted for approximately 61% and 50% of total contributions and 45% and 36% of total support and revenue, respectively.

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, 2021 and 2020, marketing and cultivation costs totaled \$145,075 and \$62,207, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11. COMMITMENTS AND CONTINGENCIES

Operating Leases - Office Space

The Organization leases office space under operating leases in New York City and Florida which will expire through September 2028. Future minimum lease payments for the operating leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 234,258
2023	219,334
2024	219,359
2025	223,197
Thereafter	<u>752,593</u>
	<u>\$ 1,648,741</u>

Rent expense for the years ended June 30, 2021 and 2020, amounted to \$235,184 and \$240,407, respectively.

Operating Lease - Equipment

The Organization has an operating lease for office equipment, which expires on April 30, 2023. Future minimum lease payments due through the termination of the lease are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 11,503
2023	<u>9,586</u>
	<u>\$ 21,089</u>

Equipment lease expense for the years ended June 30, 2021 and 2020, amounted to \$12,544 and \$12,144, 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, 2022. At June 30, 2021, the Organization had a total of 24 employees, of which approximately 50% are represented by the union.

NOTE 13. EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) plan covering all eligible employees. During the years ended June 30, 2021 and 2020, the Organization made contributions to the plan amounting to \$54,591 and \$60,582, respectively, which are included in "Salaries and benefits" in the accompanying statement of functional expenses.

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NOTE 14. BOARD-DESIGNATED OPERATING RESERVE

The activity of the board-designated operating reserve for the years ended June 30, 2021 and 2020, was as follows:

	2021	2020
Balance - beginning of year	\$ 4,709,432	\$ 4,914,084
Add:		
Pro-rata investment earnings	900,326	-
Sub-total	5,609,758	4,914,084
Less:		
NYC occupancy payments	(213,344)	(204,652)
Balance - end of year	\$ 5,396,414	\$ 4,709,432

The board of directors of the Organization designated these reserves to be used for New York City lease and other occupancy commitments.

NOTE 15. RELATED-PARTY TRANSACTIONS

As part of carrying out its mission, the Organization and its clients received pro-bono legal services for the years ended June 30, 2021 and 2020, of \$219,547 and \$410,812, respectively, from various law firms related to board members. As disclosed in Note 2 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 purchased these services if they were not donated.

NOTE 16. COVID-19 PANDEMIC

During the 2021 fiscal year, the Organization continued to adapt to the "Public Health Emergency of International Concern" declared by the World Health Organization in March 2020. The Organization has shifted to nearly all virtual programs and services. Most legal proceedings, education programs, know-your-rights trainings and advocacy work continued to be carried out on virtual platforms. The fundraising events in 2021 and 2022 were mainly virtual and have yielded reduced fundings as well as reduced costs. Individual and corporate donations have increased through both internal and external fundraising campaigns and portals. Foundation revenue has grown and there was increased revenue from existing foundations. Budgeted hires continued on track, and key expenditures were carefully managed. Given the uncertainty of the situation, the duration of the disruption and related financial impact cannot be reasonably estimated at this time.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16. COVID-19 PANDEMIC (CONTINUED)

Paycheck Protection Program

On April 22, 2020, under the Paycheck Protection Program ("PPP"), the Organization received loan proceeds of \$562,130 ("PPP 1"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loan to be eligible for forgiveness.

The PPP 1 loan matures two years from the date of first disbursement of proceeds to the Organization (the "PPP 1 Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first six months and are payable in 18 equal consecutive monthly installments of principal and interest commencing upon the expiration of the deferral period of the PPP 1 Loan Date.

The Organization applied for PPP 1 loan forgiveness and received approval from the Small Business Administration ("SBA") in March 2021.

In May 2021, the Organization received additional PPP loan proceeds of \$482,000 ("PPP 2"). The PPP 2 loan matures five years from the date of first disbursement of proceeds to the Organization (the "PPP 2 Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first 10 months after the last day of the covered period and are payable in equal consecutive monthly installments of principal and interest commencing upon the expiration of the deferral period of the PPP 2 Loan Date.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Organization recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Organization deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program.

During the years ended June 30, 2021 and 2020, the Organization recognized \$521,424 and \$414,979, respectively, in grant revenue under the PPP loan program, which is included in grant revenue in the accompanying statement of activities. As of June 30, 2021 and 2020, \$107,727 and \$147,151, respectively, is included in refundable advances in the accompanying statement of activities related to the PPP loan program.