

LATINOJUSTICE PRLDEF

**Financial Statements
for year ended
June 30, 2012
(with summarized comparative
information for year ended
June 30, 2011)**

**CONDON
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Independent Auditors' Report

To the Board of Directors of
LatinoJustice PRLDEF

We have audited the accompanying statements of financial position of LatinoJustice PRLDEF (the "Organization") as of June 30, 2012 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative information was derived from the Organization's 2011 financial statements and in our report, dated November 10, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LatinoJustice PRLDEF at June 30, 2012 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

January 17, 2013

LATINOJUSTICE PRLDEF
Statements of Financial Position

Assets

	June 30	
	2012	2011
Cash and cash equivalents – unrestricted	\$ 333,279	\$ 446,359
Cash and cash equivalents – debt service reserve	87,681	87,339
Investments at fair value	604,561	516,425
Contributions and accounts receivable	825,366	1,054,956
Prepaid expenses and other	37,551	36,658
Property and equipment, at cost, net	933,129	1,038,057
Total assets	\$2,821,567	\$3,179,794

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 222,355	\$ 288,191
Unearned revenue	12,400	11,450
Mortgage payable	939,058	1,083,944
Total liabilities	1,173,813	1,383,585

Net assets

Unrestricted	368,623	234,523
Temporarily restricted	1,279,131	1,561,686
Total net assets	1,647,754	1,796,209
Total liabilities and net assets	\$2,821,567	\$3,179,794

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Activities
For the year ended June 30, 2012
(with Summarized Comparative Information for the Year Ended June 30, 2011)

	2012			2011
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 833,088	\$1,207,863	\$2,040,951	\$2,120,344
Event revenue, net of direct donor benefits of \$93,406 in 2012 and \$81,051 in 2011	409,045	-	409,045	405,262
Legal fees recovered, net	-	-	-	180,333
Education fees	84,105	-	84,105	95,123
Rental revenue	81,456	-	81,456	81,448
Investment revenue	375	-	375	1,985
Other	541	-	541	400
Net assets released from restrictions	<u>1,490,418</u>	<u>(1,490,418)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,899,028</u>	<u>(282,555)</u>	<u>2,616,473</u>	<u>2,884,895</u>
Expenses				
Program services				
Litigation	1,347,857	-	1,347,857	1,475,624
Education	370,281	-	370,281	389,163
Communications	<u>352,780</u>	<u>-</u>	<u>352,780</u>	<u>274,453</u>
Total program services	2,070,918	-	2,070,918	2,139,240
Supporting services				
Administrative and general	439,730	-	439,730	494,515
Development	<u>254,280</u>	<u>-</u>	<u>254,280</u>	<u>135,311</u>
Total supporting services	<u>694,010</u>	<u>-</u>	<u>694,010</u>	<u>629,826</u>
Total expenses	<u>2,764,928</u>	<u>-</u>	<u>2,764,928</u>	<u>2,769,066</u>
Increase (decrease) in net assets	134,100	(282,555)	(148,455)	115,829
Net assets beginning of year	<u>234,523</u>	<u>1,561,686</u>	<u>1,796,209</u>	<u>1,680,380</u>
Net assets, end of year	<u>\$ 368,623</u>	<u>\$1,279,131</u>	<u>\$1,647,754</u>	<u>\$1,796,209</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Cash Flows

	Year Ended	
	June 30	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (148,455)	\$ 115,829
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	126,119	134,747
(Increase) decrease in assets		
Contributions and accounts receivable	229,590	(42,764)
Prepaid expenses and other	(893)	(14,277)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(65,836)	70,595
Unearned revenue	950	(5,550)
Net cash provided by operating activities	<u>141,475</u>	<u>258,580</u>
Cash flows from investing activities		
Net investment activity	(88,136)	300,498
Purchase of property and equipment	<u>(21,191)</u>	<u>(45,663)</u>
Net cash provided by (used in) investing activities	<u>(109,327)</u>	<u>254,835</u>
Cash flows (used in) financing activities		
Repayment of long-term debt	<u>(144,886)</u>	<u>(143,447)</u>
Net increase (decrease) in cash and cash equivalents	<u>(112,738)</u>	<u>369,968</u>
Cash and cash equivalents, beginning of year	<u>533,698</u>	<u>163,730</u>
Cash and cash equivalents, end of year	<u>\$ 420,960</u>	<u>\$ 533,698</u>
Consists of:		
Cash and cash equivalents - unrestricted	\$ 333,279	\$ 446,359
Cash and cash equivalents – debt service reserve	<u>87,681</u>	<u>87,339</u>
	<u>\$ 420,960</u>	<u>\$ 533,698</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 10,297</u>	<u>\$ 11,837</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statement of Functional Expenses
 For the year ended June 30, 2012
 (with Summarized Comparative Information for the Year Ended June 30, 2011)

	2012				2011			
	Program services		Supporting services		Administrative and		Supporting services	
	Litigation	Education	Communications	Total	General	Development	Total	Total
Salaries and benefits	\$ 1,003,792	\$ 257,392	\$ 218,146	\$ 1,479,330	\$ 288,078	\$ 212,047	\$ 1,979,455	\$ 2,008,281
Occupancy	63,397	18,113	18,113	99,623	16,820	12,938	129,381	132,808
Professional fees	30,797	51,070	37,864	119,731	76,962	1,119	197,812	208,741
Telephone	13,750	3,928	3,929	21,607	3,648	2,806	28,061	25,574
Office expenses	13,078	3,736	3,736	20,550	3,470	2,669	26,689	27,603
Equipment cost	28,870	8,248	8,248	45,366	11,898	5,892	63,156	65,751
Publications	25,753	-	96	25,849	507	-	26,356	25,898
Expert fees and court costs	43,292	-	-	43,292	-	-	43,292	36,798
Travel, conferences, meetings, and other miscellaneous	55,845	7,638	12,028	75,511	8,074	2,412	85,997	81,818
Marketing and cultivation	8,746	2,499	32,963	44,208	2,320	1,785	48,313	9,210
Interest expense	-	-	-	-	10,297	-	10,297	11,837
Depreciation	60,537	17,657	17,657	95,851	17,656	12,612	126,119	134,747
Total	\$ 1,347,857	\$ 370,281	\$ 352,780	\$ 2,070,918	\$ 439,730	\$ 254,280	\$ 2,764,928	\$ 2,769,066

See notes to financial statements.

LATINOJUSTICE PRLDEF**Notes to Financial Statements
June 30, 2012****Note 1 – Nature of organization**

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**Net assets**

- Unrestricted net assets consist of amounts that can be spent at the discretion of the Organization.
- Temporarily restricted net assets represent expendable contributions, which are restricted by the donor or pertain to future periods. As restrictions are satisfied, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions. The Organization’s policy is to record, as unrestricted revenue, contributions with donor-imposed restrictions that are met in the same year that the contributions are received. At June 30, 2012, the balance in temporarily restricted net assets will be used to enhance the programs described in note 1 to the financial statements. On the following page is the activity in the Organization’s temporarily restricted net assets for the year ending June 30, 2012.

LATINOJUSTICE PRLDEF

**Notes to Financial Statements
June 30, 2012**

Note 2 – Summary of significant accounting policies (continued)

The activity in the Organization’s temporarily restricted net assets for the year ended June 30, 2012 is as follows:

	Balance at June 30, 2011	Contributions	Net Assets Released	Balance at June 30, 2012
Lawbound	\$ 16,317	\$ -	\$ (16,317)	\$ -
JD Preparation Fellows Program	8,097	-	(8,097)	-
Latino Immigrant Justice Project	183,334	-	(183,334)	-
Public Interest Project	11,635	60,426	(72,061)	-
Infrastructure Project	50,000	-	(50,000)	-
Census	10,321	-	(10,321)	-
UU Long Island W&G	-	7,000	(7,000)	-
NY Division of Criminal Justice	-	7,890	(7,890)	-
Sherman 2 nd Year	-	20,000	(20,000)	-
Judiciary Civil Legal Assistance	-	21,300	(21,300)	-
NYS Bar Association Legal Asst.	-	(3,500)	3,500	-
General Operating Support 2 nd Year	192,000	425,000	(192,000)	425,000
Ford Capacity Building	700,000	-	(375,000)	325,000
Open Society Institute	-	125,000	-	125,000
Four Freedoms	-	150,000	(37,500)	112,500
Long Island Latino Immigrant Rights	-	100,000	(25,000)	75,000
Hagedorn Latina at Work	-	115,000	(58,397)	56,603
Communications Project	-	35,000	(5,833)	29,167
Ford Transition Planning	134,328	-	(105,328)	29,000
LI Unitarian Universalists NYCT	-	25,000	(14,583)	10,417
Bickel & Brewer	-	40,519	(30,960)	9,559
Department of State	-	12,128	(4,500)	7,628
Immigrants’ Rights	50,695	-	(46,695)	4,000
Redistricting Project	102,678	-	(99,584)	3,094
LSAC Minority Outreach	-	2,000	-	2,000
Youth Civic Engagement Network	24,381	-	(24,318)	63
Other	77,900	65,100	(77,900)	65,100
Total	<u>\$ 1,561,686</u>	<u>\$ 1,207,863</u>	<u>\$ (1,490,418)</u>	<u>\$ 1,279,131</u>

LATINOJUSTICE PRLDEF

**Notes to Financial Statements
June 30, 2012**

Note 2 – Summary of significant accounting policies (continued)

Cash equivalents

The Organization considers highly liquid assets with original maturities of ninety days or less to be cash equivalents.

Fair value measurements

Accounting principles generally accepted in the United States of America established a fair value hierarchy giving the highest priority quoted market prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). As of June 30, 2012, the Organization's investments consist of money market funds, which are classified as Level 1 assets. Their fair values are measured using quoted prices of identical assets in active markets.

Contributions and accounts receivable

Contributions and accounts receivable consist primarily of unconditional promises to donate to the Organization. All contributions and accounts receivable are expected to be received during the 2013 fiscal year.

Allowance for doubtful accounts

The Organization deems its contributions and accounts receivable to be collectible, and accordingly, an allowance for uncollectible contributions and accounts receivable is not necessary. This estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated lives of the assets ranging from 5 to 20 years. The following is a summary of the Organization's property and equipment as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Condominium and improvements	\$2,357,943	\$2,352,574
Furniture, fixtures, equipment and website	682,897	667,075
Legal library	<u>208,239</u>	<u>208,239</u>
Total	3,249,079	3,227,888
Less accumulated depreciation	<u>2,315,950</u>	<u>2,189,831</u>
Net property and equipment	<u>\$ 933,129</u>	<u>\$1,038,057</u>

Legal fees

In connection with cases decided or settled in the Organization's favor, legal fees may be recovered. Due to uncertainty as to the amount ultimately recoverable and the timing of the recovery, revenue is recognized when the amount is measurable.

LATINOJUSTICE PRLDEF**Notes to Financial Statements
June 30, 2012****Note 2 – Summary of significant accounting policies (continued)****Donated legal services**

From time to time, various law firms, including those related to Board members, provide legal services to the Organization on a pro bono basis. Such donated legal services are not included in the accompanying financial statements.

Functional expenses

The cost of providing various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Credit risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contributions and accounts receivable. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. Generally, the Organization's cash and cash equivalents are insured under provisions of the FDIC; the Organization has not incurred any losses on such accounts to date and as of June 30, 2012, there were no uninsured cash and cash equivalent balances. At June 30, 2012, the Organization's investments consisted of money market funds, which are covered under provisions of the SIPC. The Organization's management deems the contributions and accounts receivable collectible. Accordingly, the Organization believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and contributions and accounts receivable.

Concentration of support

A significant portion of the Organizations revenue is received from one donor. Contributions received from this donor totaled approximately 42% of the Organization's total contributions and approximately 32% of the Organization's total revenue for the 2012 fiscal year. A significant decrease in funding from this donor could have a material effect on the Organization's financial statements and could negatively impact the Organization's ability to carry-out its programs.

LATINOJUSTICE PRLDEF

**Notes to Financial Statements
June 30, 2012**

Note 2 – Summary of significant accounting policies (continued)

Comparative financial information

The statements of activities and functional expenses in the accompanying financial statements include certain prior-year summarized comparative information, in total but not by net asset class or by functional classification, respectively. Therefore, to compare 2012 to 2011 at the net asset class and functional level, the June 30, 2011 financial statements should be read in conjunction with the 2012 statements of activities and functional expenses.

Reclassifications

Certain items in the 2011 financial statements have been reclassified for comparative purposes only.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through January 17, 2013, which is the date the financial statements were available to be issued.

Note 3 – Investments

At June 30, 2012 and 2011 investments consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	<u>\$ 604,561</u>	<u>\$ 604,561</u>	<u>\$ 516,425</u>	<u>\$ 516,425</u>

Note 4 – Mortgage payable

In December 2002, the Organization obtained a \$1,500,000 mortgage, which was amended March 23, 2006. Under the amended agreement, the Organization, effective December 2006, is required to make 40 quarterly payments of \$38,796, including interest at the rate of 1% per annum through maturity in September 2016. The agreement is secured by a mortgage on the Organization's property, and the Organization grants a security interest in, all rights, title and interest to certain property of the Organization now owned, or subsequently acquired as outlined in the agreement. In addition, the Organization is required to maintain a certain restricted cash balance and maintain certain debt 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 30, 2010. Beginning September 2010, quarterly principal plus interest payments resumed and will continue through maturity in September 2018.

LATINOJUSTICE PRLDEF

**Notes to Financial Statements
June 30, 2012**

Note 4 – Mortgage payable (continued)

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

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 146,341
2014	147,810
2015	149,294
2016	150,792
2017	152,307
2018 and 2019	<u>192,514</u>
Total	<u>\$ 939,058</u>

Note 5 – Commitments

The Organization leases a portion of its condominium unit to a tenant, which is a separate 501(c)(3) non-profit organization. The lease provides a base rent and reimbursement of the tenants' pro-rata share of property taxes. Rental revenue under this agreement totaled \$81,456 and \$81,448 for the years ended June 30, 2012 and 2011, respectively.

The Organization has certain operating leases for equipment and services, which expire at various times through the 2016 fiscal year. The following is the required annual payments under these agreements.

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 18,554
2014	19,152
2015	19,152
2016	<u>3,192</u>
Total	<u>\$ 60,050</u>

Note 6 – Tax status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been determined to be a publicly supported organization and not a private foundation under the meaning of Section 509(a) of the Code. As of June 30, 2012, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate authorities.