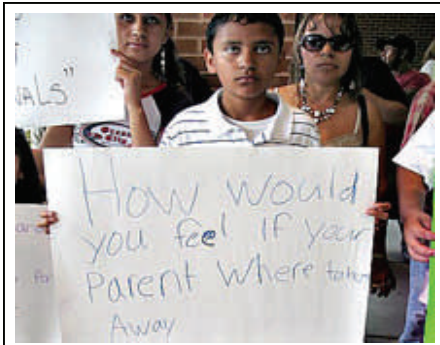


**ANNUAL REPORT 2007**

*Fighting for Latino justice*



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PRLDEF champions an equitable society. Using the power of the law together with advocacy and education, PRLDEF protects opportunities for all Latinos to succeed in school and work, fulfill their dreams, and sustain their families and communities.

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### 3 Letter from the general counsel and auditors



Fiscal Year 2007 was a landmark year for PRLDEF. A number of important cases made it the year that PRLDEF reestablished itself as one of the leading civil rights organizations in our nation.

Our docket was filled with battles to secure equal rights for all Latinos in all kinds of settings. In Hazleton, Pennsylvania, PRLDEF challenged a virulently anti-immigrant ordinance that fined employers or landlords who hired or rented to undocumented immigrants and limited all government business to English only. This ordinance had tremendous impact nationally; since it was introduced in June 2006, at least 80 localities have proposed or passed laws modeled on it. PRLDEF was successful in blocking the ordinance's implementation after a federal judge granted permanent injunctive relief which enjoined Hazleton from putting the challenged ordinance into place.

PRLDEF led the fight to protect Latino families whose homes were raided by Immigration and Customs Enforcement Division agents. The agents did not have a warrant when they forced entry into the homes. PRLDEF filed a complaint on behalf of families that included American citizens, permanent residents and undocumented immigrants.

Our work on these and other cases is a reflection of how PRLDEF has become a powerful legal voice for Latinos throughout the United States.

Our legal education department also continues to do important work. Twenty students graduated more prepared for law school after attending the second week-long Luis G. DeGraffe Summer Academy.

As Fiscal Year 2007 comes to a close, we are more confident than ever that we will continue to help Latinos meet the challenges of today and tomorrow.

*Cesar A. Garcia*

We have audited the accompanying statement of financial position of Puerto Rican Legal Defense and Education Fund, Inc. (the "Fund") as of June 30, 2007 and the related statements of activities, cash flows and functional expenses for the year then ended.

These financial statements are the responsibility of the Fund'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 Fund's 2006 financial statements and in our report, dated April 25, 2007, 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 Puerto Rican Legal Defense and Education Fund, Inc. at June 30, 2007 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**

Certified Public Accountants

*Condon O'Meara McGinty + Donnelly LLP*

## 4 Litigation Highlights



### 2008: AGUILAR ET AL v. U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT



*(This is one of the important cases that PRLDEF is working on for fiscal year 2008.)*

*ICE agents forced this door.*

by armed Immigration and Customs Enforcement Division (ICE) agents without a court-ordered warrant. ICE has acknowledged that the protocols governing this operation only permits their agents consensual entry into the residence.

PRLDEF filed a complaint on behalf of families that included American citizens, permanent residents and undocumented immigrants. PRLDEF has since filed two amended complaints to include additional plaintiffs and claims arising from additional home raids occurring in Long Island last Fall. The court granted PRLDEF's motion for expedited discovery, which is currently proceeding in anticipation that we will be seeking a preliminary injunction.

PRLDEF filed a complaint in the US Southern District of NY on behalf of Latino families who had their homes invaded

### LOZANO ET AL V. CITY OF HAZLETON

In August of 2006 PRLDEF filed a complaint challenging Hazleton, Pennsylvania's Illegal Immigration Relief Act. The ordinance required landlords, business owners and other entities not to rent or provide goods or services to "illegal aliens" or risk loss of licenses and permits and \$1,000 per day penalties.

The ordinance also imposed an English-only policy for city government services.

In July 2007, federal district Judge James Munley granted PRLDEF permanent injunctive relief, which enjoined the City of Hazleton from implementing any of the challenged ordinances.



### RIVERSIDE COALITION OF BUSINESS PERSONS & LANDLORDS, ET AL V. TOWNSHIP OF RIVERSIDE

PRLDEF filed suit in NJ Superior Court on behalf of a coalition of Riverside business owners, landlords and residents. The suit contended that the township's Immigration Relief Act oversteps the city's authority, is vague, unfairly puts businesses at risk and violates NJ civil rights law.

The action was removed to federal court and we successfully moved to remand the action back to state court. After the filing, parties agreed that the ordinance would not be enforced pending the outcome.

Based in large part on a decision in Hazleton, PA, the township voted to repeal the ordinance in 2007, becoming the first municipality in the nation to rescind a local anti-immigration ordinance.

## 5 Education Highlights

### FROM LSAT TO JD SEMINAR SERIES

Prospective and current law students met legal professionals and learned techniques for success during this year's seminars. Over 70 newly-accepted Latino law students attended various workshops explaining how to succeed in law school, how to finance a legal education, how to balance school and family, and how to do well on a job interview.

Panelists included Manhattan Deputy Comptroller Herb Barbot, Winston Strawn Litigation Associate Grissel Seijo-Garcia, Rivkin Radler Associate Yadira Ramos, MetLife Assistant General Counsel Theresa Baker, among others.

### LAWbound SUMMER ACADEMY



*Lawbound students had the chance to meet with several law professionals, including Manhattan Judge Eduardo Padro.*

Last year's LAWbound Luis J. DeGraffe Summer Academy featured comprehensive classroom instruction on the law school admission process, along with panel discussions and several field trips. Nineteen students representing thirteen undergraduate institutions had the opportunity to visit an area law school, the NY Attorney General's Office, the Legal Aid Society, a small private firm, and a corporate firm.

LAWbound helps Latino and minority college students who are interested in pursuing careers in the legal profession but may not have the resources and information to do so.



### LAWDAY LAW SCHOOL RECRUITMENT

PRLDEF'S 24th Annual Law Day attracted 84 ABA-approved law schools and over 250 prospective law students. This was the second year that high school students and younger undergraduates were targeted through a new partnership with the Hispanic National Bar Association–New York Region.



*Law day attendees heard personal accounts from current law students*

Law Day's panel discussions addressed topics such as the admissions process and future careers for law school graduates.

A break-out session called "Ask a Law Student" allowed participants the opportunity to talk candidly with current Latino law students about the law school experience. Students also had a chance to meet recruiters from law schools and representatives of pre-law organizations.

Law Day is widely known as the most important recruitment event in the northeast for aspiring law students of color.

**PUERTO RICAN LEGAL DEFENSE AND  
EDUCATION FUND, INC.**

**Financial Statements  
for year ended  
June 30, 2007**

**PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Cash and cash equivalents - unrestricted	\$ 57,321	\$ 29,035
Cash and cash equivalents – restricted (note 3)	83,800	82,644
Investments at market value (note 4)	612,580	768,452
Contributions and accounts receivable	751,704	460,662
Prepaid expenses and other	17,211	13,494
Property and equipment, at cost, net ( note 2)	1,212,335	1,324,851
<b>Total assets</b>	<b>\$2,734,951</b>	<b>\$2,679,138</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 471,095	\$ 141,845
Unearned revenue	33,850	19,875
Mortgage payable (note 3)	1,369,412	1,475,000
Total liabilities	1,874,357	1,636,720

**Net assets (deficit)**

Unrestricted	(121,303)	(339,332)
Temporarily restricted	399,897	799,750
Permanently restricted	582,000	582,000
Total net assets	860,594	1,042,418
<b>Total liabilities and net assets</b>	<b>\$2,734,951</b>	<b>\$2,679,138</b>

See notes to financial statements.

**PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.**

**Statement of Activities**

**For the year ended June 30, 2007**

**(with Summarized Comparative Information for the Year Ended June 30, 2006)**

	2007			2006	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>					
Contributions	\$ 251,590	\$ 484,076	\$ -	\$ 735,666	\$1,373,703
Event revenue, net of direct donor benefits of \$268,407 in 2007 and \$200,482 in 2006	452,894	-	-	452,894	682,799
Legal fees recovered, net	332,917	-	-	332,917	143,906
Education fees	67,035	-	-	67,035	101,290
Rental revenue (note 5)	79,164	-	-	79,164	73,109
Investment revenue	38,213	-	-	38,213	25,124
Other	-	-	-	-	693
Net assets released from restrictions	<u>883,929</u>	<u>(883,929)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,105,742</u>	<u>(399,853)</u>	<u>-</u>	<u>1,705,889</u>	<u>2,400,624</u>
<b>Expenses</b>					
Program services					
Litigation	979,631	-	-	979,631	786,794
Education	328,147	-	-	328,147	304,203
Communications	133,652	-	-	133,652	108,321
Policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,141</u>
Total program expenses	1,441,430	-	-	1,441,430	1,410,459
Administrative and general	291,119	-	-	291,119	316,306
Development	<u>155,164</u>	<u>-</u>	<u>-</u>	<u>155,164</u>	<u>174,369</u>
Total expenses	<u>1,887,713</u>	<u>-</u>	<u>-</u>	<u>1,887,713</u>	<u>1,901,134</u>
Increase (decrease) in net assets	218,029	(399,853)	-	(181,824)	499,490
<b>Net assets (deficit), beginning of year</b>	<u>(339,332)</u>	<u>799,750</u>	<u>582,000</u>	<u>1,042,418</u>	<u>542,928</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (121,303)</u>	<u>\$ 399,897</u>	<u>\$ 582,000</u>	<u>\$ 860,594</u>	<u>\$1,042,418</u>

See notes to financial statements.

**PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.**

**Statement of Cash Flows**

	Year Ended	
	June 30	
	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (181,824)	\$ 499,490
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	120,136	120,826
Net realized and unrealized (gain) loss on investments	182	(1,506)
(Increase) decrease in assets		
Contributions and accounts receivable	(291,042)	74,610
Prepaid expenses and other	(3,717)	24,688
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	329,250	(12,003)
Unearned revenue and deposits	<u>13,975</u>	<u>10,025</u>
Net cash provided by (used in) operating activities	<u>(13,040)</u>	<u>716,130</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investments	834,236	815,128
Purchase of investments	(678,546)	(1,347,382)
Purchase of property and equipment	<u>(7,620)</u>	<u>(38,700)</u>
Net cash provided by (used in) investing activities	<u>148,070</u>	<u>(570,954)</u>
<b>Cash flows (used in) financing activities</b>		
Payment of line of credit	-	(150,000)
Payment of mortgage payable	<u>(105,588)</u>	<u>(25,000)</u>
Net cash (used in) financing activities	<u>(105,588)</u>	<u>(175,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>29,442</b>	<b>(29,824)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>111,679</u>	<u>141,503</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 141,121</u>	<u>\$ 111,679</u>
<b>Consists of:</b>		
Cash and cash equivalents - unrestricted	\$ 57,321	\$ 29,035
Cash and cash equivalents - restricted	<u>83,800</u>	<u>82,644</u>
	<u>\$ 141,121</u>	<u>\$ 111,679</u>
<b>Supplemental disclosure of cash flows information</b>		
Cash paid for interest	<u>\$ 15,954</u>	<u>\$ 25,267</u>

See notes to financial statements.

**PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.**

Statement of Functional Expenses  
For the year ended June 30, 2007  
(with Summarized Comparative Information for the Year Ended June 30, 2006)

	Year Ended June 30						
	2007			2006			
	Program services			Supporting services			
	Administrative and						
	Litigation	Education	Communication	Total	General	Development	Total
Salaries and benefits	\$ 642,537	\$ 206,074	\$ 98,778	\$ 947,389	\$ 202,785	\$ 71,077	\$ 1,221,251
Occupancy	81,508	14,005	4,580	100,093	6,880	6,880	113,853
Professional fees	64,631	54,223	10,812	129,666	58,893	60,237	248,796
Telephone	6,905	3,076	1,348	11,329	2,955	1,355	15,639
Postage	2,039	1,083	189	3,311	955	470	4,736
Office supplies and reproduction	10,717	5,817	1,657	18,191	472	1,034	19,697
Equipment cost	33,843	10,322	3,125	47,290	4,670	4,613	56,573
Publications	18,720	2,991	-	21,711	-	-	21,711
Travel	17,941	10,285	8,333	36,559	3,383	803	40,745
Expert fees and court costs	20,534	-	-	20,534	-	-	20,534
Conferences, meetings, and other miscellaneous	870	1,066	35	1,971	1,751	320	4,042
Depreciation	79,386	19,205	4,795	103,386	8,375	8,375	120,136
<b>Total</b>	<b>\$ 979,631</b>	<b>\$ 328,147</b>	<b>\$ 133,652</b>	<b>\$ 1,441,430</b>	<b>\$ 291,119</b>	<b>\$ 155,164</b>	<b>\$ 1,887,713</b>
							<b>\$ 1,901,134</b>

See notes to financial statements.

# PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.

## Notes to Financial Statements

June 30, 2007

### Note 1 – Nature of organization

Puerto Rican Legal Defense and Education Fund, Inc. (the “Fund”) is a national civil rights organization. The Fund 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 Fund accomplishes its mission through litigation, policy analysis, advocacy and education programs. The Fund 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 Fund.
- 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 Fund’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, 2007, the balance in temporarily restricted net assets will be used to enhance the program described in note 1 to the financial statements.
- Permanently restricted net assets consist principally of a program reserve fund established with contributions received from a Foundation. If approval is granted from the Foundation’s officers, withdrawals from the program reserve fund may be used for general operating costs or in special situations. No such approval was sought during the 2007 or 2006 fiscal years.

#### 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.

PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.

Notes to Financial Statements (continued)

June 30, 2007

Note 2 – Summary of significant accounting policies (continued)

Legal fees

In connection with cases decided or settled in the Fund'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 collected.

Comparative financial information

The statements of activities and functional expenses in the accompanying financial statements include certain prior-year summarized financial information, in total but not by net asset class or by functional classification, respectively. Therefore, to compare 2007 to 2006 at the net asset class and functional level, the June 30, 2006 financial statements should be read in conjunction with the 2007 statements of activities and functional expenses.

Note 3 – Long term debt

In December 2002, the Fund obtained a \$1,500,000 mortgage, which was amended March 23, 2006. Under the amended agreement, the Fund, 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. Prior to December 2006, the Fund was required to make interest only payments at the rate of 1% per annum and a \$25,000 principal payment in September 2005. The agreement is secured by a mortgage on the Fund's property, and the Fund grants a security interest in, all rights, title and interest to certain property of the Fund now owned, or subsequently acquired as outlined in the agreement. In addition, the Fund is required to maintain a certain restricted cash balance and maintain certain debt covenant ratios as outlined in the agreement.

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

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 142,019
2009	143,445
2010	144,885
2011	146,339
2012	147,808
2013 & thereafter	<u>644,916</u>
Total	<u>\$1,369,412</u>

PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.

Notes to Financial Statements (continued)

June 30, 2007

Note 2 – Summary of significant accounting policies (continued)

Concentrations of credit risk

The Fund'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 Fund places its cash and cash equivalents with what it believes to be quality financial institutions. The Fund's investments consist of obligations of the U.S. Government and cash funds. The Fund's management deems the contributions and accounts receivable collectible. Accordingly, the Fund believes no significant concentration of credit risk exists with respect to its cash, cash equivalents, investments and contributions and accounts receivable. In addition, during the 2007 fiscal year, a large percentage of the Foundation's revenue was received from a single funder.

Cash equivalents

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

Contributions and accounts receivable

Contributions and accounts receivable consist primarily of unconditional promises to donate to the Fund. All contributions and accounts receivable are expected to be received during the 2007 fiscal year.

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 10 to 20 years. The following is a summary of the Fund's property and equipment as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Condominium and improvements	\$2,124,394	\$2,124,394
Furniture, fixtures and equipment	564,342	556,722
Legal library	<u>208,239</u>	<u>208,239</u>
Total	2,896,975	2,889,355
Less accumulated depreciation	<u>1,684,640</u>	<u>1,564,504</u>
Net property and equipment	<u>\$1,212,335</u>	<u>\$1,324,851</u>

**PUERTO RICAN LEGAL DEFENSE AND EDUCATION FUND, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2007**

**Note 4 – Investments**

Investments are recorded at market value, based on publicity quoted market prices. Realized and unrealized gains or losses, if any, along with interest and dividends are reflected as investment revenue on the statement of activities. At June 30, 2007 and 2006 investments consist of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Invested cash	\$ 382,857	\$ 382,857	\$ 484,041	\$ 484,041
U.S. Government Obligations	<u>227,287</u>	<u>229,723</u>	<u>282,905</u>	<u>284,411</u>
Total	<u>\$ 610,144</u>	<u>\$ 612,580</u>	<u>\$ 766,946</u>	<u>\$ 768,452</u>

**Note 5 – Commitments**

The Fund 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 \$79,164 and \$73,109 for the years ended June 30, 2007 and 2006, respectively.

The fund has certain operating leases for equipment and services, which expire at various times through 2011. The following is the required annual payments under these agreements.

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 31,924
2009	17,294
2010	17,294
2011	<u>2,882</u>
Total	<u>\$ 69,394</u>

**Note 6 – Tax status**

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Fund has been determined by the Code to be a publicly supported organization and not a private foundation under the meaning of Section 509(a) of the Code.