

LATINOJUSTICE PRLDEF

Financial Statements
for year ended
June 30, 2010
(with summarized comparative
information for year ended
June 30, 2009)

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Independent Auditors' Report

To the Board of Directors
LatinoJustice PRLDEF

We have audited the accompanying statements of financial position of LatinoJustice PRLDEF (the "Organization") as of June 30, 2010 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 2009 financial statements and in our report, dated October 21, 2009, 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, 2010 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 26, 2011

LATINOJUSTICE PRLDEF
Statements of Financial Position

Assets

	June 30	
	2010	2009
Cash and cash equivalents – unrestricted	\$ 76,957	\$ 59,640
Cash and cash equivalents – restricted	86,773	85,894
Investments at fair value	816,923	901,363
Contributions and accounts receivable	1,012,192	918,708
Prepaid expenses and other	22,381	22,743
Property and equipment, at cost, net	<u>1,127,141</u>	<u>1,007,321</u>
Total assets	<u>\$3,142,367</u>	<u>\$2,995,669</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 217,596	\$ 267,446
Unearned revenue	17,000	1,000
Mortgage payable	<u>1,227,391</u>	<u>1,227,391</u>
Total liabilities	<u>1,461,987</u>	<u>1,495,837</u>
Net assets		
Unrestricted	139,062	122,837
Temporarily restricted	<u>1,541,318</u>	<u>1,376,995</u>
Total net assets	<u>1,680,380</u>	<u>1,499,832</u>
Total liabilities and net assets	<u>\$3,142,367</u>	<u>\$2,995,669</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Activities
 For the year ended June 30, 2010
 (with Summarized Comparative Information for the Year Ended June 30, 2009)

	2010			2009
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 796,951	\$1,409,193	\$2,206,144	\$1,833,336
Event revenue, net of direct donor benefits of \$146,403 in 2010 and \$171,442 in 2009	341,130	-	341,130	346,085
Legal fees recovered, net	85,036	-	85,036	20,000
Education fees	99,067	-	99,067	102,674
Rental revenue	80,901	-	80,901	79,724
Investment revenue	1,942	-	1,942	7,778
Other	848	-	848	250
Net assets released from restrictions	<u>1,244,870</u>	<u>(1,244,870)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,650,745</u>	<u>164,323</u>	<u>2,815,068</u>	<u>2,389,847</u>
Expenses				
Program services				
Litigation	1,396,435	-	1,396,435	1,174,626
Education	362,076	-	362,076	344,148
Communications	259,244	-	259,244	244,839
Total program services	<u>2,017,755</u>	<u>-</u>	<u>2,017,755</u>	<u>1,763,613</u>
Supporting services				
Administrative and general	455,876	-	455,876	404,381
Development	<u>160,889</u>	<u>-</u>	<u>160,889</u>	<u>110,099</u>
Total supporting services	<u>616,765</u>	<u>-</u>	<u>616,765</u>	<u>514,480</u>
Total expenses	<u>2,634,520</u>	<u>-</u>	<u>2,634,520</u>	<u>2,278,093</u>
Increase in net assets	16,225	164,323	180,548	111,754
Net assets beginning of year	<u>122,837</u>	<u>1,376,995</u>	<u>1,499,832</u>	<u>1,388,078</u>
Net assets, end of year	<u>\$ 139,062</u>	<u>\$1,541,318</u>	<u>\$1,680,380</u>	<u>\$1,499,832</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statements of Cash Flows

	Year Ended	
	June 30	
	2010	2009
Cash flows from operating activities		
Increase in net assets	\$ 180,548	\$ 111,754
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	132,051	119,782
(Increase) decrease in assets		
Contributions and accounts receivable	(93,484)	(82,579)
Prepaid expenses and other	362	(10,202)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(49,850)	121,253
Unearned revenue	16,000	(11,300)
Net cash provided by operating activities	<u>185,627</u>	<u>248,708</u>
Cash flows from investing activities		
Net investment activity	84,440	(173,073)
Purchase of property and equipment	(251,871)	(29,649)
Net cash (used in) investing activities	<u>(167,431)</u>	<u>(202,722)</u>
Net increase in cash and cash equivalents	18,196	45,986
Cash and cash equivalents, beginning of year	<u>145,534</u>	<u>99,548</u>
Cash and cash equivalents, end of year	<u>\$ 163,730</u>	<u>\$ 145,534</u>
Consists of:		
Cash and cash equivalents - unrestricted	\$ 76,957	\$ 59,640
Cash and cash equivalents -- restricted	86,773	85,894
	<u>\$ 163,730</u>	<u>\$ 145,534</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 13,589</u>	<u>\$ 16,550</u>

See notes to financial statements.

LATINOJUSTICE PRLDEF

Statement of Functional Expenses
 For the year ended June 30, 2010
 (with Summarized Comparative Information for the Year Ended June 30, 2009)

	2010				2009			
	Program services		Supporting services		Total	Total	Total	
	Litigation	Education	Communications	Total				Administrative and General
Salaries and benefits	\$ 1,004,096	\$ 211,062	\$ 193,075	\$ 1,408,233	\$ 345,667	\$ 91,926	\$ 1,845,826	\$ 1,603,979
Occupancy	84,011	18,979	16,002	118,992	6,790	5,892	131,674	131,360
Professional fees	61,449	89,569	9,840	160,858	70,801	46,088	277,747	261,654
Telephone	16,732	2,770	4,543	24,045	4,565	1,818	30,428	22,519
Postage	5,300	605	531	6,436	1,231	542	8,209	4,827
Office supplies and reproduction	5,205	1,917	6,531	13,653	2,549	788	16,990	13,533
Equipment cost	28,699	5,915	9,745	44,359	8,531	3,981	56,871	46,675
Publications	24,855	-	2,200	27,055	-	396	27,451	22,452
Travel	56,958	12,465	2,157	71,580	5,210	2,370	79,160	27,070
Expert fees and court costs	23,645	-	-	23,645	-	-	23,645	14,486
Conferences, meetings, and other miscellaneous	1,586	213	367	2,166	2,127	175	4,468	9,756
Depreciation	83,899	18,581	14,253	116,733	8,405	6,913	132,051	119,782
Total	\$ 1,396,435	\$ 362,076	\$ 259,244	\$ 2,017,755	\$ 455,876	\$ 160,889	\$ 2,634,520	\$ 2,278,093

See notes to financial statements.

LATINOJUSTICE PRLDEF**Notes to Financial Statements
June 30, 2010****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, policy analysis, advocacy and education 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, 2010, 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, 2010.

LATINOJUSTICE PRLDEF

Notes to Financial Statements
June 30, 2010

Note 2 – Summary of significant accounting policies (continued)

The activity in the Organization's temporarily restricted net assets for the year ended June 30, 2010 is as follows:

	Balance at June 30, <u>2009</u>	Contributions	Net Assets Released	Balance at June 30, <u>2010</u>
Lawbound	\$ 2,873	\$ 206,109	\$ (105,928)	\$ 103,054
JD Preparation Fellows Program	60,000	-	(30,000)	30,000
Latino Immigrant Justice Project	76,412	-	(76,412)	-
New Communities	132,500	-	(132,500)	-
Long Island Latino Immigrant Rights	50,089	105,000	(106,012)	49,077
Latino Immigrant Justice Project	66,666	183,334	(66,666)	183,334
New York State Latino Immigrant Project	65,000	-	(65,000)	-
Capacity Building Project	10,000	-	(10,000)	-
Youth Civic Engagement Network	37,191	-	(37,191)	-
Infrastructure Project	859,264	-	(429,107)	430,157
Census	-	135,000	(83,411)	51,589
New York Bar Association	-	3,500	(3,500)	-
Public Interest Project	-	100,000	(82,143)	17,857
General Operating Support 2 nd Year	-	590,000	-	590,000
Other	17,000	86,250	(17,000)	86,250
Total	<u>\$1,376,995</u>	<u>\$1,409,193</u>	<u>\$(1,244,870)</u>	<u>\$1,541,318</u>

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Notes to Financial Statements
June 30, 2010Note 2 – Summary of significant accounting policies (continued)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.

Concentrations of 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 and the Organization has not incurred any losses on such accounts to date. At June 30, 2010, the Organization's investments consisted of cash funds. The Organization's management deems the contributions and accounts receivable collectible. Accordingly, the Organization believes no significant concentration of credit risk exists with respect to its cash, cash equivalents, investments and contributions and accounts receivable.

A significant portion of the Organization's revenue is received from one donor. Contributions received from this donor totaled approximately 43% of the Organization's total contributions and approximately 34% of the Organization's total revenue for the 2010 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.

Cash equivalents

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

Fair value measurements

Fair value measurements establish a 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, 2010, the Organization's investments consist of money market funds, which are classified as Level 1 assets.

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Notes to Financial Statements
June 30, 2010Note 2 – Summary of significant accounting policies (continued)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 2011 fiscal year.

Allowance for doubtful accounts

The Organization has determined that an allowance is not necessary for its contributions and accounts receivable. Such 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 10 to 20 years. The following is a summary of the Organization's property and equipment as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Condominium and improvements	\$2,326,083	\$2,124,394
Furniture, fixtures, equipment and website	647,903	597,721
Legal library	<u>208,239</u>	<u>208,239</u>
Total	3,182,225	2,930,354
Less accumulated depreciation	<u>2,055,084</u>	<u>1,923,033</u>
Net property and equipment	<u>\$1,127,141</u>	<u>\$1,007,321</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 collected.

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 2010 to 2009 at the net asset class and functional level, the June 30, 2009 financial statements should be read in conjunction with the 2010 statements of activities and functional expenses.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through January 26, 2011, which is the date the financial statements were available to be issued.

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Notes to Financial Statements
June 30, 2010Note 3 – 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. During this time, the Organization is required to make quarterly interest only payments. Beginning September 2010, quarterly principal plus interest payments will resume through maturity in September 2018.

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

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 143,447
2012	144,887
2013	146,341
2014	147,810
2015	149,294
2016 and thereafter	<u>495,612</u>
Total	<u>\$1,227,391</u>

Note 4 – Investments

At June 30, 2010 and 2009 investments consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	<u>\$ 816,923</u>	<u>\$ 816,923</u>	<u>\$ 901,363</u>	<u>\$ 901,363</u>

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Notes to Financial Statements
June 30, 2010Note 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 \$80,901 and \$79,724 for the years ended June 30, 2010 and 2009, respectively.

The Organization has certain operating leases for equipment and services, which expire at various times through the 2013 fiscal year. The following is the required annual payments under these agreements.

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 26,857
2012	15,564
2013	<u>2,594</u>
Total	<u>\$ 45,015</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, 2010, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the fiscal years 2007 and forward are subject to the usual review by the appropriate taxing authorities.

