

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2019)**

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Latin American Legal Defense and Educational Fund, Inc.
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of **LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.** (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, 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 organization'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 organization'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 **LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.** as of June 30, 2020, 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 **LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**'s June 30, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
January 29, 2021

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2019)

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 205,200	\$ 38,140
Grants receivable	8,924	32,000
Contributions receivable	1,000	8,500
Prepaid expenses	1,291	5,088
Total current assets	216,415	83,728
 PROPERTY AND EQUIPMENT, NET		
	258,674	245,853
 Total Assets	 \$ 475,089	 \$ 329,581

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of long-term debt	\$ 891	\$ 835
Accounts payable	24,730	-0-
Accrued payroll and related liabilities	17,435	9,978
Accrued expenses	5,750	6,713
Custodial funds	2,789	3,089
Deferred revenue	11,495	-0-
Total current liabilities	63,090	20,615
 LONG-TERM LIABILITIES		
Long-term debt, net	186,632	188,515
Conditional contribution	73,301	-0-
	259,933	188,515
 Total liabilities	 323,023	 209,130
 NET ASSETS		
Without donor restrictions	152,066	76,444
With donor restrictions	-0-	44,007
 Total net assets	 152,066	 120,451
 Total liabilities and net assets	 \$ 475,089	 \$ 329,581

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 170,007	\$ -0-	\$ 170,007	\$ 129,125
Grants	471,239	-0-	471,239	208,925
Program income	61,102	-0-	61,102	64,757
In-kind contributions	126,150	-0-	126,150	648
Released from restrictions	44,007	(44,007)	-0-	-0-
Interest and other income	397	-0-	397	-0-
Total revenue and support	872,902	(44,007)	828,895	403,455
PROGRAM EXPENSES				
Community center	540,317	-0-	540,317	375,111
Youth development	178,190	-0-	178,190	66,357
Total program services	718,507	-0-	718,507	441,468
SUPPORT SERVICES				
Management and general	61,643	-0-	61,643	57,034
Fundraising	17,130	-0-	17,130	13,668
Total support services	78,773	-0-	78,773	70,702
Total expenses	797,280	-0-	797,280	512,170
Change in net assets	75,622	(44,007)	31,615	(108,715)
Net assets, beginning of year	76,444	44,007	120,451	229,166
Net assets, end of year	<u>\$ 152,066</u>	<u>\$ -0-</u>	<u>\$ 152,066</u>	<u>\$ 120,451</u>

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020						2019	
	Program Services			Support Services				
	Community Center	Youth Development	Total Program Services	Management and General	Fundraising	Support Services Total	Total	Total
Personnel	\$ 256,893	\$ 94,368	\$ 351,261	\$ 26,780	\$ 8,237	\$ 35,017	\$ 386,278	\$306,357
Payroll taxes	23,592	9,043	32,635	2,458	780	3,238	35,873	26,926
Advertising	-0-	-0-	-0-	605	1,194	1,799	1,799	3,514
Dues and subscriptions	1,580	-0-	1,580	1,755	-0-	1,755	3,335	2,400
Equipment and equipment rental	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,971
In-kind expenditures	126,150	-0-	126,150	-0-	-0-	-0-	126,150	-0-
Insurance	2,949	502	3,451	3,706	406	4,112	7,563	5,953
Interest	6,997	2,570	9,567	729	224	953	10,520	11,709
Office expenses	11,252	2,159	13,411	2,832	2,431	5,263	18,674	19,579
Postage and printing	2,621	-0-	2,621	483	138	621	3,242	5,920
Professional fees	42,614	7,000	49,614	17,332	-0-	17,332	66,946	35,243
Program expenses	39,035	54,302	93,337	-0-	1,088	1,088	94,425	36,627
Real estate taxes	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,735
Repairs and maintenance	6,374	1,453	7,827	1,826	795	2,621	10,448	7,333
Telephone and internet	5,400	1,009	6,409	488	739	1,227	7,636	8,204
Training and travel	997	1,700	2,697	1,306	-0-	1,306	4,003	8,902
Utilities	5,995	1,195	7,190	523	846	1,369	8,559	7,438
Depreciation	7,868	2,889	10,757	820	252	1,072	11,829	10,359
Total expenses	<u>\$ 540,317</u>	<u>\$ 178,190</u>	<u>\$ 718,507</u>	<u>\$ 61,643</u>	<u>\$ 17,130</u>	<u>\$ 78,773</u>	<u>\$ 797,280</u>	<u>\$512,170</u>

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The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 31,615	\$ (108,715)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,003	10,359
Decrease (increase) in:		
Grants receivable	23,076	(14,500)
Contributions receivable	7,500	21,400
Prepaid expenses	3,797	1,969
Increase (decrease) in:		
Accounts payable	24,730	(10,350)
Accrued payroll and related liabilities	7,457	5,962
Accrued expenses	(963)	6,713
Custodial funds	(300)	(500)
Deferred revenue	11,495	-0-
	112,410	(87,662)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(16,824)	(40,875)
	(16,824)	(40,875)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from conditional contribution	73,301	-0-
Borrowings on long-term debt	-0-	28,000
Repayments on long-term debt	(1,827)	(650)
	71,474	27,350
Net cash provided by financing activities	71,474	27,350
Net increase (decrease) in cash	167,060	(101,187)
Cash and cash equivalents, beginning of year	38,140	139,327
	38,140	139,327
Cash and cash equivalents, end of year	\$ 205,200	\$ 38,140
Supplemental cash flow information:		
Cash paid for interest	\$ 10,520	\$ 10,746

The accompanying notes are an integral part of these financial statements.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Nature of Activities

Founded in 2004, Latin American Legal Defense and Educational Fund, Inc. (the “Organization”) is a not-for-profit social impact organization headquartered in Trenton, New Jersey. The Organization’s mission is to promote the rights of all immigrants (with a focus on the Latin American community in the Mercer County area); facilitate access to health care, education, and legal representation; advocate for the integration of immigrants; and foster intercultural communication that strengthens the communities served.

The Organization’s programs fall into two key areas: legal services – which encompass humanitarian immigration support – and community outreach/education, which includes client advocacy, continuing education, youth mentoring and development, and the dissemination of vital, reliable information regarding healthcare, digital literacy, citizenship, healthcare, financial stability, and more.

Legal Services

The Organization’s humanitarian legal services are dedicated to ensuring that recent immigrants to Greater Mercer County know their rights and can access protective services and navigate the often-complicated legal systems that lead to permanent status in the United States. We are particularly focused on ensuring that the most vulnerable – including children, survivors of torture or sexual and gender-based violence – can secure low-cost legal aid.

Community Outreach and Education

The Organization’s Outreach and Education programs include Adult Education, Client Advocacy, Community Organizing, and the Organization’s high impact mentoring program for promising junior and senior high school students. Called FUTURO, the program provides these first- and second-generation Americans with academic support, SAT preparation, college application guidance, mentoring, social support, and community service opportunities.

The bulk of these programs are held at the Organization’s headquarters: Casa de Bienvenida. Located in Trenton, this welcoming Community Center is a resource hub for the city’s immigrants. Casa de Bienvenida is open six days a week, year-round, and annually serves between 3,000 and 3,500 households.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies

Change for New Accounting Pronouncement

On July 1, 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization adopted these ASUs, and all the related amendments, using the modified retrospective method applied to all uncompleted contracts and grants as of the adoption date. The modified retrospective method of adoption requires a cumulative effect adjustment be recognized in net assets at such date. As a result of the adoption, no adjustment to revenue for periods prior to the adoption were required and the Organization did not identify any material differences in its revenue recognition methods that required modification under the new standards.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenues have been reported according to the following classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors. As these funds may be used at the discretion of the board of directors, program services and supporting services are considered net assets without donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest are received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2020, conditional contributions of \$73,301, for which amounts have been received in advance in conjunction with a Small Business Paycheck Protection Program loan have been recognized on the accompanying Statement of Financial Position. See Note 8.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 restrictions.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Program Income

The Organization recognizes program income as exchange transactions. The Organization provides a number of programs in its Trenton Community Center including adult education programs, youth mentoring, photo identification cards, immigration legal services, English as a second language classes, and computer classes. Revenues are recognized when the related services are provided, thus, at a point in time.

In-kind Contributions

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. The Organization recognizes volunteer services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The total amount of donated legal service hours for the year ended June 30, 2020 totaled 1,500 at an estimated fair value rate of \$40 per hour for the year. The total amount of donated adult education service hours for the year ended June 30, 2020 totaled 3,276 at an estimated fair value rate of \$20 per hour for the year. In-kind contributions are recorded as both revenue and expense and therefore, there is no effect on the change in net assets.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years, beyond one year from the year end date, are initially recorded at their fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution or grant revenue on the Statement of Activities. If necessary, an allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of any subsequent collections. Promises to give are to be written off when uncollectible. At June 30, 2020, no allowance was deemed necessary.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents, except those which are held for or restricted by donors for long-term purposes.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management reviews collectability on grants and contributions receivable regularly. If balances become uncollectible management will write them off. Historically, the Organization has had no need for an allowance for doubtful accounts and has a history of no write-offs.

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: building and improvements, 10 to 25 years and furniture and equipment, 10 years. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation expense for the year ended June 30, 2020 was \$11,829.

Deferred Revenue

The Organization records grant awards as deferred grant revenue until the stipulated purpose or time restrictions are met, at which time they are recognized as revenue. Deferred revenue of \$11,495 on the Statement of Financial Position includes unconditional deferred grant revenue that was received in the year ended June 30, 2020, but applies to expenditures to be incurred in the subsequent year.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel and payroll taxes costs are allocated on the basis of estimates of time and effort. Directly identifiable expenses are charged to program and supporting services based on actual usage. Professional fees, office expense, printing, and training and travel are allocated based upon the organization's predetermined allocation percentages. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2020 was \$1,799.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 – Cash and Cash Equivalents

The Organization maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At times, balances may exceed federally insured amounts. As of June 30, 2020 the Organization had no uninsured cash balances.

Note 4 – Availability and Liquidity

The following represents the Organization’s financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 205,200
Grants receivable	8,924
Contributions receivable	<u>1,000</u>
Total financial assets	215,124
Less donor restricted amounts available to be used, but not expected to be used within one year	 (<u>-0-</u>)
Financial assets available to meet general expenditures over the next twelve months	 \$ <u>215,124</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Organization typically maintains its financial assets other than receivables and promises to give in cash accounts or investments available for sale with a goal of having funds available when needed.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 5 – Property and Equipment

Property and equipment consists of the following:

Land	\$ 42,984
Building and improvements	226,307
Furniture and equipment	<u>11,571</u>
	280,862
Less: accumulated depreciation	<u>(22,188)</u>
	<u>\$ 258,674</u>

Note 6 – Line of Credit

The Organization had a \$50,000 line of credit with interest at 8%, collateralized by all of the Organization’s assets and a mortgage on its building in Trenton, NJ. There were no borrowings against the line of credit at June 30, 2020 and the line was not renewed when it expired in August 2020.

Note 7 – Long Term Debt

The Organization has a mortgage note payable with interest at 6.5% due in monthly installments including principal and interest of \$1,093. The mortgage note payable is being amortized over 25 years with a final balloon payment of \$185,659 due on July 1, 2023. The mortgage note payable is collateralized by the building located at 714-716 S. Clinton Avenue in Trenton, New Jersey, an assignment of all rents and leases, and substantially all of the Organization’s personal property assets. The mortgage balance was paid in full after year end (see Note 14).

Principal maturities of long-term debt at June 30, 2020 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 891
2022	951
2023	1,014
2024	<u>184,667</u>
	<u>\$ 187,523</u>

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 8 – Conditional Contribution

On April 23, 2020, the Organization applied for and received a \$73,301 loan under the Paycheck Protection Program ("PPP"), established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The PPP loan has a maturity date of April 23, 2022 and a stated interest rate of 1.0% per annum. Payments of principal and interest are deferred until the earlier of ten months after the end of the covered period or the date on which the loan forgiveness amount is remitted to the lender. The loan provides for customary events of default, including, among others, those relating to failure to make payment when due and breaches of representations. The Organization may prepay the principal of the loan at any time without incurring any prepayment charges.

In June 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law adjusting certain key terms of loans issued under the PPP. In accordance with the PPPFA, the initial deferral period may be extended from six to up to ten months and the loan maturity may be extended from two to five years. The PPPFA also provided for certain other changes, including the extent to which the loan may be forgiven.

The loan's principal and accrued interest are forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations, and that the Organization maintains its payroll levels over a specified covered period ranging from eight to twenty-four-weeks following the loan date. The Organization used the proceeds for eligible purposes consistent with the provisions of the program. The Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents a grant that is expected to be forgiven, thus, a conditional contribution. As a conditional contribution, the contribution is not recognized until the conditions are substantially met or explicitly waived, representing forgiveness of the loan. However, there can be no assurance that any portion of the loan will be forgiven and that the Organization will not have to repay the loan in full.

Note 9 – Custodial Funds

Custodial funds represent funds held by the Organization for scholarships for students to attend higher education institutions on behalf of the agencies it serves. As scholarship funds are distributed to the ultimate beneficiaries, this liability will be reduced.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 10 – Net Assets with Donor Restrictions

Net assets released from donor restrictions were as follows for the year ended June 30, 2020:

Purpose restrictions:	
For girls in the FUTURO Class of 2019	\$ 15,000
Case manager at Hedgepeth	<u>29,007</u>
	<u>\$ 44,007</u>

Note 11 – Leases

The Organization currently leases a copier under an operating lease agreement expiring in November 2022. Lease expense for the year ended June 30, 2020 was \$1,935 and is included in equipment and equipment rental on the accompanying Statement of Functional Expenses.

Future minimum lease payments under operating lease agreements as of June 30, 2020 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 1,740
2022	1,740
2023	<u>725</u>
	<u>\$ 4,205</u>

Note 12 – Promises to give

The Organization has the following conditional promises to give as of June 30, 2020:

A conditional promise to give \$165,000 over three years beginning during the year ended June 30, 2020. The Organization will receive \$55,000 per year to provide increased organizational growth and increased impact in Mercer County. During the year ended June 30, 2020, the second-year payment was paid to the Organization.

A conditional promise to give, up to \$225,000 payable over four years beginning during the year ended June 30, 2020. As of June 30, 2020, the Organization received \$75,000. Subsequent to June 30, 2020, the agreement was discontinued and a final payment in the amount of \$37,500 was received during the year ending June 30, 2021.

LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 13 – Risks and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) began to spread across many countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

With the onset of COVID-19, office employees have been able to work from home remotely and there were no layoffs or slowdowns. The Organization has stopped requiring fees for most legal services as well as walk-in/consultations. The Organization has lost some revenue from adult education classes as classes were moved online, since a majority of the Organization’s clients are unable to access online classes. To maintain liquidity during the period, the Organization borrowed \$73,301 from the SBA in the form of a PPP loan (see Note 8).

While the disruption caused by the pandemic was initially expected to be temporary, there is remaining uncertainty regarding its duration. The ultimate impact of the pandemic on the Organization’s results of operations, financial position, and liquidity cannot be reasonably estimated at this time.

Note 14 – Subsequent Events

The Organization evaluated subsequent events through January 29, 2021, the date these financial statements were available to be issued. On July 3, 2020 the Organization received a \$150,000 loan from the U.S. Small Business Administration. Payments on the loan are deferred for the first twelve months, however, interest will continue to accrue. After the deferment period monthly installments of \$641 are due, including principal and interest at 2.75%. The loan is due June 2050 and is secured by substantially all the assets of the Company. On December 7, 2020 the Organization received a \$85,400 loan from the New Jersey Economic Development Authority. Payments on the loan are deferred for the first twelve months, and interest accrues at 0% for the first five years and capped at a floor of 3% for the remaining five years. After the deferment period monthly installments of principal are due. The loan is due December 2030 and is secured by substantially all the assets of the Company. As of December 2020, the Organization utilized its’ liquidity to pay off the mortgage balance as described in Note 7.

Except as noted above and in Notes 6, with the expiration of the line of credit agreement, and 13 with the ongoing effects of the Coronavirus pandemic, there were no material subsequent events that required recognition or additional disclosures in these financial statements.