

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**FINANCIAL STATEMENTS**  
**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, 2019, 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, 2019, 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.

*Haelebe, Flanagan & Co., P.C.*

Maple Shade, New Jersey  
January 30, 2020

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 38,140
Grant receivable	32,000
Contribution receivable	8,500
Prepaid expenses and deposits	<u>5,088</u>
Total current assets	83,728

<b>PROPERTY AND EQUIPMENT, NET</b>	<u>245,853</u>
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Total Assets	<u><u>\$ 329,581</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$ 835
Accrued payroll	9,978
Accrued expenses	6,713
Custodial funds	<u>3,089</u>
Total current liabilities	20,615

**LONG-TERM LIABILITIES**

Long-term debt, net	<u>188,515</u>
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Total liabilities	<u>209,130</u>
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**NET ASSETS**

Without donor restrictions	76,444
With donor restrictions	<u>44,007</u>

Total net assets	<u>120,451</u>
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Total liabilities and net assets	<u><u>\$ 329,581</u></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 ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 129,125	\$ -0-	\$ 129,125
Grants	176,925	32,000	208,925
Program income	64,757	-0-	64,757
In-kind contributions	648	-0-	648
Released from restrictions	2,993	(2,993)	-0-
	<hr/>	<hr/>	<hr/>
Total revenue and support	374,448	29,007	403,455
	<hr/>	<hr/>	<hr/>
<b>PROGRAM EXPENSES</b>			
Community center	375,111	-0-	375,111
Youth development	66,357	-0-	66,357
Total program services	441,468	-0-	441,468
	<hr/>	<hr/>	<hr/>
Management and general	57,034	-0-	57,034
Fundraising	13,668	-0-	13,668
Total support services	70,702	-0-	70,702
	<hr/>	<hr/>	<hr/>
Total expenses	512,170	-0-	512,170
	<hr/>	<hr/>	<hr/>
Change in net assets	(137,722)	29,007	(108,715)
Net assets, beginning of year	214,166	15,000	229,166
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 76,444	\$ 44,007	\$ 120,451
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Support Services			2019 Totals
	Community Center	Youth Development	Total Program Services	Management and General	Fundraising	Support Services Total	
Personnel	\$ 241,566	\$ 50,267	\$ 291,833	\$ 7,560	\$ 6,964	\$ 14,524	\$ 306,357
Payroll taxes	21,232	4,418	25,650	664	612	1,276	26,926
Advertising	787	-0-	787	1,404	1,323	2,727	3,514
Dues and subscriptions	-0-	-0-	-0-	2,400	-0-	2,400	2,400
Equipment and equipment rental	12,337	211	12,548	-0-	423	423	12,971
Insurance	2,720	110	2,830	2,901	222	3,123	5,953
Interest	8,782	2,927	11,709	-0-	-0-	-0-	11,709
Office expenses	11,198	722	11,920	5,781	1,878	7,659	19,579
Professional fees	13,360	-0-	13,360	21,883	-0-	21,883	35,243
Program expenses	34,033	2,394	36,427	200	-0-	200	36,627
Postage and printing	5,229	-0-	5,229	391	300	691	5,920
Telephone and internet	4,448	394	4,842	2,573	789	3,362	8,204
Training and travel	1,371	2,988	4,359	4,543	-0-	4,543	8,902
Real estate taxes	-0-	-0-	-0-	2,735	-0-	2,735	2,735
Repairs and maintenance	5,984	-0-	5,984	1,349	-0-	1,349	7,333
Utilities	4,087	372	4,459	2,236	743	2,979	7,438
Depreciation	7,977	1,554	9,531	414	414	828	10,359
<b>Total expenses</b>	<b>\$ 375,111</b>	<b>\$ 66,357</b>	<b>\$ 441,468</b>	<b>\$ 57,034</b>	<b>\$ 13,668</b>	<b>\$ 70,702</b>	<b>\$ 512,170</b>

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (108,715)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	10,359
(Increase) decrease in:	
Grants receivable	(14,500)
Contribution receivable	21,400
Prepaid expenses and deposits	1,969
Increase (decrease) in:	
Accounts payable	(10,350)
Accrued payroll	5,962
Accrued expenses	6,713
Custodial funds	(500)
	<hr/>
Net cash used in operating activities	<u>(87,662)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Capital expenditures	<u>(40,875)</u>
Net cash used in investing activities	<u>(40,875)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Borrowings on long-term debt	28,000
Repayments on long-term debt	<u>(650)</u>
Net cash provided by financing activities	<u>27,350</u>
Net decrease in cash	(101,187)
Cash, beginning of year	<u>139,327</u>
Cash, end of year	<u><u>\$ 38,140</u></u>
Supplemental cash flow information:	
Cash paid for interest	<u><u>\$ 10,746</u></u>

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, 2019**

**Note 1 – Nature of Activities**

The Latin American Legal Defense and Educational Fund, Inc. (the “Organization”) is a New Jersey not-for-profit Corporation dedicated to promoting the civil rights of Latin Americans, and facilitating their access to healthcare and education, as well as to advancing cross cultural understanding in the Mercer County regional area. Since 2004, the Organization has established itself as the “go to” organization for reaching out to the Latino community in Mercer County.

In order to accomplish these general objectives, the Organization has established the following programs, which are as follows:

Community Center

Casa de Bienvenida, the Trenton Community Center, is a resource hub for the city’s Latino immigrants, serving over 3,000 households annually. Casa de Bienvenida is open six days a week, year-round, with the goal of increasing the social capital of immigrant households through: adult education in the areas of language acquisition, technology, life skills and personal finances; youth mentoring to increase college enrollment and strengthen potential for future success; affordable legal services; tax preparation; a community photo id; health care literacy and outreach; and referral and advocacy services.

Youth Development

Futuro program which is an inclusive and diverse youth mentoring program for first and second generation immigrant students. As part of this program the Organization provides mentoring and tutoring, SAT/ACT prep, assistance with scholarship and college applications, resume development, financial literacy, etc.

**Note 2 – Summary of Significant Accounting Policies**

Change for New Pronouncement

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities.” The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the provisions of ASU 2016-14 as of July 1, 2018, and such adoption had no impact on the Organization’s net asset balances or change in net assets.

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 when earned 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.

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.

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Program Income

Program income is recognized when earned. 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.

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, 2019 totaled 36 at an estimated fair value rate of \$18 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.

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.

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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, 2019 was \$10,359.

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.

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. The Organization's Federal Exempt Organization Business Income Tax returns (Form 990) are no longer subject to examination by the IRS for years before 2016.

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Recent Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes and replaces nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The core principle of the standard is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The standard requires significantly expanded disclosures about revenue recognition and is effective for fiscal years beginning after December 15, 2018. The Organization is in the process of implementing the provisions of ASU 2014-09, but has not yet determined its impact on the financial statements.

**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, 2019 the Organization had no uninsured cash balances.

**Note 4 – Availability and Liquidity**

The following represents the Organization’s financial assets at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 38,140
Grant receivable	32,000
Contributions receivable	<u>8,500</u>
Total financial assets	78,640
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>\$ 78,640</u>

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 4 – Availability and Liquidity (continued)**

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.

**Note 5 – Property and Equipment**

Property and equipment consists of the following:

Land	\$ 42,984
Building and improvements	201,657
Furniture and equipment	<u>11,571</u>
	256,212
Less: accumulated depreciation	<u>( 10,359)</u>
	<u>\$ 245,853</u>

**Note 6 – 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 first loan payment was due on October 31, 2018. 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.

Principal maturities of long-term debt at June 30, 2019 are as follows:

2020	\$ 835
2021	891
2022	951
2023	1,014
2024	<u>185,659</u>
	<u>\$ 189,350</u>

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 7 – 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.

**Note 8 – Net Assets with Donor Restrictions**

Net assets with donor restrictions were as follows as of June 30, 2019:

Purpose restrictions:	
For girls in the FUTURO Class of 2019	\$ 15,000
All Kids Thrive	<u>29,007</u>
	<u>\$ 44,007</u>

Net assets released from donor restrictions were as follows for the year ended June 30, 2019:

All Kids Thrive	<u>\$ 2,993</u>
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**Note 9 – Leases**

The Organization currently leases a copier under an operating lease agreement expiring in November 2022. Lease expense for the year ended June 30, 2019 was \$1,912.

Future minimum lease payments under operating lease agreements as of June 30, 2019 are as follows:

2020	\$ 1,740
2021	1,740
2022	1,740
2023	<u>725</u>
	<u>\$ 5,945</u>

**Note 10 – Promises to give**

The Organization has the following conditional promises to give as of June 30, 2019:

A conditional promise to give \$75,000, of which \$25,000 has been received. The remaining \$50,000 will be received by December 31, 2021 to support the Organization’s purpose.

**LATIN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 10 – Promises to give (continued)**

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

A conditional promise to give, up to \$225,000 payable over four years beginning during the year ending June 30, 2020. The Organization will receive up to \$75,000 per year for the years ending June 30, 2020 and 2021 and up to \$50,000 and \$25,000 per year for the years ending June 2022 and 2023.

**Note 11 – Subsequent Events**

The Organization evaluated subsequent events through January 30, 2020, the date these financial statements were available to be issued. On September 29, 2019 the Organization entered into a line of credit agreement for \$50,000 with monthly interest only payments at 8%, due August 2020. Any amounts outstanding on the line of credit are due on August 31, 2020. As of January 30, 2020 the Organization has not drawn on the line of credit. The line of credit 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. Except as noted above, there were no material subsequent events that required recognition or additional disclosures in these financial statements.