




The Bronx Defenders

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



The Bronx Defenders
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
The Bronx Defenders
Bronx, New York

Opinion

We have audited the financial statements of The Bronx Defenders, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Bronx Defenders as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Bronx Defenders and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Bronx Defenders' ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bronx Defenders' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Bronx Defenders' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**New York, New York
March 21, 2025**

The Bronx Defenders
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 2,699,731	\$ 6,696,684
Receivables from governmental grants, current, net	13,671,837	14,178,600
Grants and contributions receivable, current	228,000	516,174
Prepaid expenses and other receivables	387,008	369,974
Security deposits	413,692	413,692
Property and equipment, net	4,518,751	4,218,866
Right-of-use assets - operating leases	15,859,513	17,980,525
Total Assets	<u>\$ 37,778,532</u>	<u>\$ 44,374,515</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 5,343,919	\$ 4,229,211
Contract advances	66,632	3,783,001
Deferred income	47,500	139,200
Due to government agencies	173,524	173,524
Line of credit	2,500,000	-
Loans payable	5,402,430	9,700,140
Finance lease obligations	457,102	-
Operating lease obligations	17,918,748	19,692,411
Total Liabilities	<u>31,909,855</u>	<u>37,717,487</u>
Net Assets		
Without donor restrictions	5,265,168	5,526,480
With donor restrictions	603,509	1,130,548
Total Net Assets	<u>5,868,677</u>	<u>6,657,028</u>
Total Liabilities and Net Assets	<u>\$ 37,778,532</u>	<u>\$ 44,374,515</u>

**The Bronx Defenders
Statements of Activities
Years Ended June 30, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Governmental grants	\$ 59,390,120	\$ -	\$ 59,390,120	\$ 54,272,373	\$ -	\$ 54,272,373
Employee retention credits	2,660,576	-	2,660,576	-	-	-
Grants and contributions	962,070	1,498,992	2,461,062	2,127,225	1,476,830	3,604,055
Special events revenue	\$ 545,727			\$ 657,417		
Less direct cost of special events	<u>(128,867)</u>			<u>(168,799)</u>		
Net special events revenue	416,860	-	416,860	488,618	-	488,618
Lawsuit settlement and attorney fees	194,972	-	194,972	142,894	-	142,894
Other income	415,497	-	415,497	293,258	-	293,258
Net assets released from restrictions	<u>2,026,031</u>	<u>(2,026,031)</u>	<u>-</u>	<u>1,619,196</u>	<u>(1,619,196)</u>	<u>-</u>
Total Revenues and Other Support	<u>66,066,126</u>	<u>(527,039)</u>	<u>65,539,087</u>	<u>58,943,564</u>	<u>(142,366)</u>	<u>58,801,198</u>
Expenses						
Program - legal services	<u>57,012,146</u>	<u>-</u>	<u>57,012,146</u>	<u>51,366,054</u>	<u>-</u>	<u>51,366,054</u>
Management and general	7,628,062	-	7,628,062	6,390,777	-	6,390,777
Fundraising	<u>650,600</u>	<u>-</u>	<u>650,600</u>	<u>587,684</u>	<u>-</u>	<u>587,684</u>
Total Support Services	<u>8,278,662</u>	<u>-</u>	<u>8,278,662</u>	<u>6,978,461</u>	<u>-</u>	<u>6,978,461</u>
Total Expenses Before Depreciation and Amortization	<u>65,290,808</u>	<u>-</u>	<u>65,290,808</u>	<u>58,344,515</u>	<u>-</u>	<u>58,344,515</u>
Change in Net Assets Before Depreciation and Amortization	775,318	(527,039)	248,279	599,049	(142,366)	456,683
Depreciation and amortization expense	<u>1,036,630</u>	<u>-</u>	<u>1,036,630</u>	<u>1,208,495</u>	<u>-</u>	<u>1,208,495</u>
Change in Net Assets	(261,312)	(527,039)	(788,351)	(609,446)	(142,366)	(751,812)
Net Assets, Beginning of Year	<u>5,526,480</u>	<u>1,130,548</u>	<u>6,657,028</u>	<u>6,135,926</u>	<u>1,272,914</u>	<u>7,408,840</u>
Net Assets, End of Year	<u>\$ 5,265,168</u>	<u>\$ 603,509</u>	<u>\$ 5,868,677</u>	<u>\$ 5,526,480</u>	<u>\$ 1,130,548</u>	<u>\$ 6,657,028</u>

See Notes to Financial Statements

The Bronx Defenders
Statement of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024				
	Program Services	Support Services			Total
	Legal Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 37,475,459	\$ 3,747,546	\$ 416,394	\$ 4,163,940	\$ 41,639,399
Payroll taxes and employee benefits	10,049,398	1,004,940	111,660	1,116,600	11,165,998
Consultants - client service	1,139,718	-	-	-	1,139,718
Outside consultants	2,527,747	1,321,672	27,846	1,349,518	3,877,265
Equipment	290,555	29,056	3,228	32,284	322,839
Communications	305,213	30,521	3,391	33,912	339,125
Rent and occupancy	3,260,329	326,033	36,226	362,259	3,622,588
Repairs and maintenance	40,660	4,066	452	4,518	45,178
Depreciation and amortization	881,135	155,495	-	155,495	1,036,630
Merchant service charges	-	36,233	36,074	72,307	72,307
Dues and subscriptions	543,499	-	-	-	543,499
Travel	425,965	203,329	4,733	208,062	634,027
Professional development	202,758	20,276	2,253	22,529	225,287
Recruitment and hiring costs	219,164	21,916	2,435	24,351	243,515
Internship incentive	1,188	119	13	132	1,320
Insurance	233,624	23,362	2,596	25,958	259,582
Supplies and other	296,869	29,687	3,299	32,986	329,855
Direct cost of special events	-	-	128,867	128,867	128,867
Bad debt expense	-	198,337	-	198,337	198,337
Interest expense	-	614,638	-	614,638	614,638
Miscellaneous	-	16,331	-	16,331	16,331
Total Expenses by Function	57,893,281	7,783,557	779,467	8,563,024	66,456,305
Less expenses included with revenues on the statements of activities					
Direct cost of special events	-	-	(128,867)	(128,867)	(128,867)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 57,893,281	\$ 7,783,557	\$ 650,600	\$ 8,434,157	\$ 66,327,438

**The Bronx Defenders
Statement of Functional Expenses
Years Ended June 30, 2024 and 2023**

(Continued)

	2023				
	Program Services	Support Services			Total
	Legal Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 33,579,871	\$ 3,165,000	\$ 327,415	\$ 3,492,415	\$ 37,072,286
Payroll taxes and employee benefits	8,806,289	830,018	85,864	915,882	9,722,171
Consultants - client service	1,135,932	-	-	-	1,135,932
Outside consultants	3,193,249	1,363,044	34,422	1,397,466	4,590,715
Equipment	93,315	10,181	1,053	11,234	104,549
Communications	221,249	20,853	2,157	23,010	244,259
Rent and occupancy	2,440,655	230,039	23,797	253,836	2,694,491
Repairs and maintenance	109,681	10,338	1,069	11,407	121,088
Depreciation and amortization	1,027,220	181,275	-	181,275	1,208,495
Merchant service charges	-	8,605	11,767	20,372	20,372
Dues and subscriptions	527,310	-	-	-	527,310
Travel	351,409	126,938	3,426	130,364	481,773
Professional development	169,062	15,935	1,648	17,583	186,645
Recruitment and hiring costs	159,378	15,022	1,554	16,576	175,954
Internship incentive	22,645	2,134	221	2,355	25,000
Insurance	213,311	20,105	2,080	22,185	235,496
Supplies and other	342,698	32,300	91,211	123,511	466,209
Direct cost of special events	-	-	168,799	168,799	168,799
Interest expense	-	528,175	-	528,175	528,175
Miscellaneous	-	12,090	-	12,090	12,090
Total Expenses by Function	52,393,274	6,572,052	756,483	7,328,535	59,721,809
Less expenses included with revenues on the statements of activities					
Direct cost of special events	-	-	(168,799)	(168,799)	(168,799)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 52,393,274	\$ 6,572,052	\$ 587,684	\$ 7,159,736	\$ 59,553,010

The Bronx Defenders
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ (788,351)	\$ (751,812)
Items not requiring cash		
Depreciation and amortization	1,036,630	1,208,495
Provision for bad debt	198,337	-
Noncash operating lease expense	347,349	221,807
Changes in		
Receivables from governmental grants, current, net	308,426	991,979
Grants and contributions receivable, current	288,174	113,762
Prepaid expenses and other receivables	(17,034)	330,203
Security deposits	-	(15,275)
Accounts payable and accrued expenses	1,114,708	1,704,270
Contract advances	(3,716,369)	(2,626,570)
Deferred income	(91,700)	139,200
Net Cash (Used in) Provided by Operating Activities	<u>(1,319,830)</u>	<u>1,316,059</u>
Investing Activities		
Purchase of property and equipment	<u>(778,492)</u>	<u>(331,492)</u>
Net Cash Used in Investing Activities	<u>(778,492)</u>	<u>(331,492)</u>
Financing Activities		
Proceeds from line of credit	2,500,000	-
Repayment of finance leases	(100,921)	-
Repayment of long-term debt	(9,121,382)	(1,259,019)
Proceeds from long-term debt	<u>4,823,672</u>	<u>3,000,000</u>
Net Cash (Used in) Provided by Financing Activities	<u>(1,898,631)</u>	<u>1,740,981</u>
Net Change in Cash	(3,996,953)	2,725,548
Cash, Beginning of Year	<u>6,696,684</u>	<u>3,971,136</u>
Cash, End of Year	<u>\$ 2,699,731</u>	<u>\$ 6,696,684</u>
Supplemental Cash Flows Information		
Interest paid	\$ 614,638	\$ 528,175
Property and equipment in accounts payable	-	336,867
ROU assets obtained in exchange for new finance lease liabilities	558,023	-
ROU assets obtained in exchange for new operating lease liabilities	711,653	13,216,683

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Bronx Defenders (the Organization) is a public defender nonprofit that is radically transforming how low-income people in the Bronx are represented in the legal system, and, in doing so, is transforming the system itself. The Organization seeks thoughtful, creative, and energetic individuals with a strong commitment to social justice to join its dynamic and diverse staff. The staff of over 400 includes interdisciplinary teams made up of criminal, civil, immigration, and family defense attorneys, as well as social workers, benefits specialists, legal advocates, parent advocates, investigators, and team administrators, who collaborate to provide holistic advocacy to address the causes and consequences of legal system involvement. Through this integrated team-based structure, the Organization has pioneered a groundbreaking, nationally recognized model of representation called holistic defense that achieves better outcomes for their clients.

Each year, the Organization defends more than 20,000 low-income Bronx residents in criminal, civil, child welfare, and immigration cases, and reaches thousands more through our community intake, youth mentoring, and outreach programs. Through impact litigation, policy advocacy, and community organizing, the Organization pushed for systemic reform at the local, state, and national level. The Organization takes what it learns from the clients and communities that the Organization serves and launches innovative initiatives designed to bring about real and lasting change. Its primary sources of revenues are grants from the City of New York.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$2,275,000.

Government Contract Revenue, Receivables, and Advances

Revenues from government contracts are recognized when reimbursable expenses are incurred or when performance goals are met under the terms of the contract. Contract revenues are subject to audit by the contracting agencies. Revenue and receivables are recorded when earned. Advances are recorded for any deposits received but not earned.

The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. As of June 30, 2024 and 2023, the Organization recorded an allowance for doubtful accounts of \$198,337 and \$0, respectively.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The Bronx Defenders
Notes to Financial Statements
June 30, 2024 and 2023

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	5 to 15 years
Leasehold improvements	10 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space and equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

The Bronx Defenders
Notes to Financial Statements
June 30, 2024 and 2023

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue without donor restrictions. Conditional contributions of \$47,500 and \$139,200 as of June 30, 2024 and 2023, respectively, will be recognized in the following year when the event for which the funds have been received will take place.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

The Bronx Defenders
Notes to Financial Statements
June 30, 2024 and 2023

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on the full-time equivalents and other methods.

Note 2. Grant Reimbursements Receivable and Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2024 have been recorded as receivables. The conditional amounts will be recognized as grant revenues when the Organization incurs qualifying expenses. The following are the grant commitments that extend beyond June 30, 2024:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned Through 2024</u>	<u>Funding Available</u>
Criminal	Through June 2025	\$ 68,255,762	\$ 35,200,174	\$ 33,055,588
Family	Through June 2027	94,658,613	723,000	93,935,613
Immigration Practice	Through June 2026	17,149,999	5,847,064	11,302,935
JCLS	Through June 2026	3,769,388	1,698,608	2,070,780
IOLA	Through June 2025	625,000	391,190	233,810
		<u>\$ 184,458,762</u>	<u>\$ 43,860,036</u>	<u>\$ 140,598,726</u>

Note 3. Conditional Gifts

The Organization has received the following conditional promises to give at June 30, 2024 and 2023 that are not recognized in the financial statements:

	<u>2024</u>	<u>2023</u>
Conditional promise to give upon the provision of qualifying expenses related to these programs:		
Legal assistance	<u>\$ 66,632</u>	<u>\$ 3,783,001</u>

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), and subsequent legislation, provided a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. During 2024, the Organization determined it qualifies for the tax credit and has claimed ERCs of \$2,660,576.

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Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Organization.

Note 4. Property and Equipment

Property and equipment at June 30 consists of:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 15,361,371	\$ 2,222,690
Leasehold improvements	<u>2,011,293</u>	<u>13,799,875</u>
	17,372,664	16,022,565
Less accumulated depreciation and amortization	<u>(12,853,913)</u>	<u>(11,803,699)</u>
	<u>\$ 4,518,751</u>	<u>\$ 4,218,866</u>

Note 5. Line of Credit

During 2024, the Organization entered into a \$3,000,000 revolving line of credit that expires on June 25, 2025. The line is collateralized by substantially all of the Organization's assets. The interest rate equals to the sum of the note rate of 6.428% plus SOFR (Secured Overnight Financing Rate). At June 30, 2024, the interest rate was 10.76%. The amount outstanding as of June 30, 2024 was \$2,500,000.

Note 6. Loans Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 15, 2020, the Organization received a loan in the amount of \$5,792,797 pursuant to the Paycheck Protection Program (PPP). The Organization has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. On May 25, 2022, the Organization received a notice of partial forgiveness of the loan in the amount of \$1,833,638. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

The balance of the loan of \$3,959,159 is due five years from the date of the first disbursement under the loan and has a fixed interest rate of 1% per year. The amount outstanding as of June 30, 2024 and 2023 was \$1,260,388 and \$2,700,140, respectively.

The Bronx Defenders
Notes to Financial Statements
June 30, 2024 and 2023

During the fiscal year ended June 30, 2022, the Organization received a \$4,000,000 term loan from a not-for-profit organization, which was collateralized by the Organization's assets. The loan initially matured April 30, 2024, but the maturity date for the remaining \$3,150,000 principal balance and any unpaid accrued interest was extended through September 30, 2024 under the same terms of the original agreement. The loan was repaid during fiscal year 2025. The interest rate is calculated at a floating interest rate of prime plus 3% as published in the Wall Street Journal and is payable quarterly and was 11.50% and 11.25% at June 30, 2024 and 2023, respectively.

During the fiscal year ended June 30, 2023, the Organization received a \$3,000,000 term loan from a not-for-profit organization. The loan was to mature the earlier of March 30, 2024 or the receipt of governmental receivables securing the loan. The interest rate was 3%. The loan was paid off during August 2023.

During the fiscal year ended June 30, 2024, the Organization received three bridge loans from New York City in the amounts of \$3,389,588, \$303,316, and \$138,726. The \$3,389,588 was due and paid off during the fiscal year ended June 30, 2024. The \$303,316 and \$138,726 loans were due either on May 26, 2024 and August 21, 2024, respectively, or approval of the request for funding from New York City, whichever is later. The two loans were repaid during fiscal year June 30, 2025. All three loans were interest-free.

During the fiscal year ended June 30, 2024, the Organization received an operating loan in the amount of \$550,000. The amount outstanding as of June 30, 2024 is \$550,000 and was due August 31, 2024. The loan was repaid in August 2024. The loan was interest-free.

All loans mature in 2025.

Note 7. Leases

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of equipment. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

As of June 30, 2024, property and equipment on the statement of financial position included equipment under finance lease agreements in the amount of \$628,418 of equipment and accumulated depreciation of \$179,315 for a net balance of \$449,103.

Operating Leases

The Organization has leases for office space and equipment that expire in various years through 2033.

One of the lease agreements include a contribution from the landlord for renovation work performed on the property as well as reimbursement of certain costs which include broker fees. The contribution is to be paid back to the landlord over the life of the lease at a 6% interest. The contribution made by the landlord as of June 30, 2024 was \$1,894,936 with a repayment amount of \$21,309 monthly. The contribution may be prepaid at any time and if the lease were to terminate, the Organization would be liable to repay the remaining unamortized balance in full.

Additionally, the landlord provided a revolving allowance of \$350,000 which has not been used as of June 30, 2024. Once the allowance is used, it would be repaid as additional rent each month over 10 years at an interest rate of 6%.

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Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Short-Term Leases

The Organization leases space on a monthly basis as needed.

All Leases

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 178,041	\$ -
Interest on lease liabilities	20,408	-
Operating lease cost	2,580,364	1,761,120
Short-term lease cost	81,088	122,294
	<u>2,859,901</u>	<u>1,883,414</u>
Total lease costs	<u>\$ 2,859,901</u>	<u>\$ 1,883,414</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,863,264	\$ 1,670,986
Financing cash flows from operating leases	163,118	-
Operating cash flows from finance leases	20,408	-
Right-of-use assets obtained in exchange for new operating lease liabilities	711,653	13,216,683
Right-of-use assets obtained in exchange for new financing lease liabilities	558,023	-
Weighted-average remaining lease term		
Operating leases	7.5 years	8.4 years
Finance leases	2.4 years	-
Weighted-average discount rate	2,011,293	
Operating leases	3.50%	3.50%
Finance leases	4.30%	-

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June 30, 2024 and 2023

Future minimum lease payments as well as repayments of landlord contributions at June 30, 2024 are as follows:

Lease Payments

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 2,609,364	208,710
2026	2,670,298	194,306
2027	2,732,508	78,711
2028	2,605,513	-
2029	1,619,054	-
Thereafter	<u>6,169,134</u>	<u>-</u>
Total future undiscounted lease payments	18,405,871	481,727
Less imputed interest	<u>(2,249,554)</u>	<u>(24,625)</u>
Lease liabilities	<u>\$ 16,156,317</u>	<u>\$ 457,102</u>

Landlord Contribution Repayment

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 154,151	\$ -
2026	163,658	-
2027	173,752	-
2028	184,469	-
2029	195,847	-
Thereafter	<u>890,554</u>	<u>-</u>
Total	<u>\$ 1,762,431</u>	<u>\$ -</u>
Total lease obligations	<u>\$ 17,918,748</u>	<u>\$ 457,102</u>

Note 8. Pension Plans

The Organization has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. Pension expense was \$1,234,158 and \$998,581 for the years ended June 30, 2024 and 2023, respectively.

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Note 9. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Family Defense Practice	\$ 125,000	\$ -
Community Arts Exchange Program	-	31,474
Adolescent Defense Project	-	7,922
Fair Punishment Project	-	74,698
Client Emergency Fund	57,300	67,517
Systemic Reforms	180,807	-
Educational Advocacy	13,942	225,000
Healthy Mothers Healthy Babies	16,252	75,153
Holistic Defense	-	32,774
Justice Fund	170,208	181,530
Other	40,000	59,480
Time restricted	-	375,000
	<u>\$ 603,509</u>	<u>\$ 1,130,548</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 375,000	\$ 400,000
Satisfaction of purpose restrictions		
Community Arts Exchange Program	31,476	-
Justice Fund	196,322	135,321
Fair Punishment Project	64,698	-
Criminal/Civil Defense Practice	-	35,655
Systemic Reforms	377,985	-
Immigration	-	14,522
Client Emergency Fund	89,416	115,676
Educational Advocacy	211,058	145,026
Healthy Mothers Healthy Babies	68,900	183,781
Holistic Defense	460,696	283,695
Parent Rights	-	100,000
Other programs	150,480	205,520
	<u>\$ 2,026,031</u>	<u>\$ 1,619,196</u>

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Notes to Financial Statements
June 30, 2024 and 2023

Note 10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash	\$ 2,699,731	\$ 6,696,684
Receivables from governmental grants, current	13,671,837	14,178,600
Grants and contributions receivable, current	<u>228,000</u>	<u>516,174</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,599,568</u>	<u>\$ 21,391,458</u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. As of June 30, 2024 and 2023, restricted contributions of \$603,509 and \$1,130,548, respectfully, were included in financial assets available to meet cash needs for general expenditures within one year.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 11. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 45% of all private contributions and grants were received from one donor in 2024 and 14% from one donor in 2023.

Governmental Grants

The Organization is dependent primarily on the City and State of New York for revenues and receivables. Approximately 90% of total revenue was received from the City and State of New York in 2024 and 2023. Approximately 80% and 100% of receivables from government grants are from the City and State of New York as of June 30, 2024 and 2023, respectively.

General Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 12. Subsequent Events

Subsequent events have been evaluated through March 21, 2025, which is the date the financial statements were available to be issued.