



**THE BRONX DEFENDERS AND AFFILIATE
(Still She Rises, A Project of the Bronx Defenders, LLC)**

Consolidated Financial Statements

June 30, 2017 and 2016

With Independent Auditors' Report

The Bronx Defenders and Affiliate
June 30, 2017 and 2016

TABLE OF CONTENTS	
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes In Net Assets	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5-11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
The Bronx Defenders and Affiliate:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Bronx Defenders and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

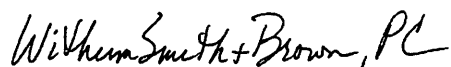
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Bronx Defenders and Affiliate as of June 30, 2017 and 2016, the results of its operations 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.



May 10, 2018

**The Bronx Defenders and Affiliate
Consolidated Statements of Financial Position
June 30, 2017 and 2016**

	2017	2016
Assets		
Cash	\$ 1,041,035	\$ 2,565,294
Receivables from New York City	3,688,348	1,845,178
Grants receivable	1,054,152	1,202,469
Prepaid expenses and other assets	493,431	176,683
Security deposit	448,920	261,718
Fixed assets, net	<u>5,174,497</u>	<u>4,953,265</u>
 Total assets	 <u>\$ 11,900,383</u>	 <u>\$ 11,004,607</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 590,353	\$ 631,419
Other contract advances	43,409	34,576
Deferred rent	622,923	720,867
Due to government agencies	73,524	73,524
Retainage payable	95,570	--
Lines of credit	<u>2,800,000</u>	<u>1,800,000</u>
Total liabilities	4,225,779	3,260,386
Net assets		
Unrestricted	6,723,628	6,873,023
Temporarily restricted	<u>950,976</u>	<u>871,198</u>
Total net assets	<u>7,674,604</u>	<u>7,744,221</u>
	 <u>\$ 11,900,383</u>	 <u>\$ 11,004,607</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Bronx Defenders and Affiliate
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Grants	\$ 24,045,419	\$ 5,003,757	\$ 29,049,176	\$ 22,424,461	\$ 4,071,808	\$ 26,496,269
Contributions	449,742	--	449,742	262,336	--	262,336
Special events - revenues	368,410	--	368,410	295,735	--	295,735
Less direct costs of special events	(196,959)	--	(196,959)	(146,753)	--	(146,753)
Net special event revenues	171,451	--	171,451	148,982	--	148,982
Case processing revenue	212,000	--	212,000	--	--	--
Miscellaneous revenue	69,584	--	69,584	120,404	--	120,404
Total revenues and other support	24,948,196	5,003,757	29,951,953	22,956,183	4,071,808	27,027,991
Net assets released from restrictions	4,923,979	(4,923,979)	--	3,266,201	(3,266,201)	--
	29,872,175	79,778	29,951,953	26,222,384	805,607	27,027,991
Expenses						
Program services - legal services	26,602,785	--	26,602,785	23,490,944	--	23,490,944
Management and general	2,189,668	--	2,189,668	1,942,977	--	1,942,977
Fundraising	245,163	--	245,163	208,270	--	208,270
Total expenses	29,037,616	--	29,037,616	25,642,191	--	25,642,191
Changes in net assets before depreciation and amortization	834,559	79,778	914,337	580,193	805,607	1,385,800
Depreciation and amortization	983,954	--	983,954	1,055,974	--	1,055,974
Changes in net assets	(149,395)	79,778	(69,617)	(475,781)	805,607	329,826
Net assets, beginning of year	6,873,023	871,198	7,744,221	7,348,804	65,591	7,414,395
Net assets, end of year	\$ 6,723,628	\$ 950,976	\$ 7,674,604	\$ 6,873,023	\$ 871,198	\$ 7,744,221

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Bronx Defenders
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ (69,617)	\$ 329,826
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	983,954	1,055,974
Changes in assets and liabilities		
Receivables from New York City	(1,843,170)	(1,168,178)
Grants receivable	148,317	1,529,364
Prepaid expenses and other assets	(316,748)	102,497
Security deposits	(187,202)	--
Accounts payable and accrued expenses	(41,066)	185,101
Retainage payable	95,570	--
Other contract advances	8,833	(143,141)
Deferred rent	(97,944)	(105,446)
Net cash (used) provided by operating activities	<u>(1,319,073)</u>	<u>1,785,997</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,205,186)	(45,970)
Cash flows from financing activities		
Repayment of bridge loan	--	(387,750)
Drawdowns on line of credit	5,750,000	1,800,000
Repayments of line of credit	<u>(4,750,000)</u>	<u>(1,000,000)</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>412,250</u>
Net change in cash and cash equivalents	(1,524,259)	2,152,277
Cash and cash equivalents		
Beginning of year	<u>2,565,294</u>	<u>413,017</u>
End of year	<u>\$ 1,041,035</u>	<u>\$ 2,565,294</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 27,727</u>	<u>\$ 9,609</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016**

1. NATURE OF ORGANIZATION

The Bronx Defenders (The "Bronx Defenders") was incorporated on February 7, 1997 under the laws of the State of New York.

The Bronx Defenders is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509(a). The Organization commenced operations on July 1, 1997. The Bronx Defenders provides legal services in criminal and family court matters to indigent residents of Bronx County. The Bronx Defenders provided representation to approximately 23,200 and 20,200 indigent persons for the years ended June 30, 2017 and 2016, respectively. Its primary sources of revenues are grants from the City of New York.

A related company, Still She Rises, A Project of the Bronx Defenders, LLC ("Still She Rises" or the "Affiliate") is in the process of becoming a not-for-profit organization exempt from federal income under Section 501(c)(3) of the Internal Revenue Code with the sole member being the Organization. Formed in June 2016, Still She Rises was created for the purpose of providing legal services to the women and families of North Tulsa, Oklahoma.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements included the accounts of The Bronx Defenders and Affiliate (collectively the "Organization"). The companies share common management and there is an economic interest between the entities. All inter-organizational transactions and accounts are eliminated in consolidation.

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statement presentation follows the guidance of the accounting standards relating to consolidated financial statements of not-for-profit organizations. Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The allowance for doubtful accounts, depreciation, and accounts payable and accrued expenses, among other accounts, require the significant use of estimates. Actual results could differ from those estimates.

Receivables from New York City

Receivables from New York City result from providing legal services to indigent residents of Bronx County as per grant agreements with New York City.

Grants Receivable

Grants receivable result from providing legal services to indigent residents of Bronx County as per grant agreements with agencies other than New York City. To the extent amounts received exceed amounts spent, The Bronx Defenders and Affiliate establishes advances from other contracts.

**The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016**

Allowance for Doubtful Accounts

The Bronx Defenders and Affiliate determines whether an allowance for uncollectibles should be provided for grants receivable and receivables from New York City. Such estimates are based on management's assessment of the aged basis of its contributions and grants, current economic conditions and historical information. Grants receivable and receivables from New York City are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding balances. Based on the aging of the receivables and the subsequent receipts, management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2017 and 2016.

Fixed Assets

Fixed assets and leasehold improvements are stated at cost. Items with a cost of \$5,000 and an estimated useful life of greater than one year are capitalized. Depreciation of fixed assets is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the life of the asset or the term of the lease.

Description	Estimated Life (Years)
Equipment and furniture	5 – 15
Leasehold improvements	10

Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in the consolidated statements of activities and changes in net assets. Construction in progress amounts are recorded at cost until the renovations are fully completed and deemed to be placed in service.

Due to Government Agencies

Due to government agencies consists of overpayments from funders, which are owed back.

Classification of Net Assets

Unrestricted net assets – include net assets having no restriction as to use or purpose imposed by donors. They include resources under full control of the Board of Directors for use in achieving the purposes of The Bronx Defenders and Affiliate.

Temporarily restricted net assets – includes resources that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

Revenue Recognition and Grant Receivable

Grants

Grant revenue is recorded to the extent that expenses have been incurred for the purposes specified by the grantor or when the services have been provided.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets, as net assets released from restrictions.

The Bronx Defenders and Affiliate Notes to Consolidated Financial Statements June 30, 2017 and 2016

Client Lawsuit Settlement Fees

The Bronx Defenders receives fees from lawsuit settlements based on a percentage of time spent in trial. The revenue is recorded once the settlement is paid out.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on an unconditional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and support services as determined by management.

Deferred Rent and Operating Leases

Operating leases are recorded on the straight-line basis over the life of the lease. Deferred rent is recorded for the difference between the fixed payment and the rent expense.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash at various quality financial institutions. During the years ending June 30, 2017 and 2016, the Organization had cash in excess of the FDIC insurance limit. Management monitors the soundness of the institutions and has not incurred any significant credit related losses.

The Bronx Defenders and Affiliate received approximately 83 and 82 percent of its revenue from contracts with New York City for the years ending June 30, 2017 and 2016, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income tax under similar provisions. Accordingly, no provision for income taxes has been recorded in these consolidated financial statements. It is the Organization's accounting policy to evaluate uncertain tax positions in accordance with the accounting pronouncement on uncertainly for income taxes. Management has determined that there are no uncertain tax positions at the Organization as of June 30, 2017 and 2016. The Organization has no income tax related penalties or interest for the periods reported in these consolidated financial statements.

Recent Accounting Pronouncements

In August 2016 the FASB issued ASU 2016-14 - Not-for-profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the "ASU") underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is placed in service.

In addition to the above disclosures the ASU changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Bronx Defenders and Affiliate is evaluating the impact the ASU will have on its consolidated financial statements.

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

3. FIXED ASSETS

Summary of fixed assets, net as of June 30, is as follows:

	2017	2016
Equipment and furniture	\$ 2,144,272	\$ 2,129,473
Leasehold improvements	10,458,757	10,259,515
Construction in progress - leasehold improvements	<u>991,145</u>	<u>--</u>
	13,594,174	12,388,988
Less: Accumulated depreciation	<u>8,419,677</u>	<u>7,435,723</u>
	<u>\$ 5,174,497</u>	<u>\$ 4,953,265</u>

Depreciation and amortization amounted to \$983,954 and \$1,055,9754 for the years ending June 30, 2017 and 2016, respectively.

4. STILL SHE RISES, A PROJECT OF THE BRONX DEFENDERS, LLC

The summarized financial information for the fiscal year ended June 30, 2017 for Still She Rises is as follows:

Current assets	\$ 25,628
Other	<u>297,055</u>
Total assets	<u>\$ 322,683</u>
Current liabilities	25,000
Net assets	<u>297,683</u>
Total liabilities and net assets	<u>\$ 322,683</u>
Revenue	\$ 938,051
Salaries and other personnel costs	(346,805)
Other operating expenses	<u>(293,563)</u>
Change in net assets	<u>\$ 297,683</u>

5. LINE OF CREDIT

On February 12, 2016, The Bronx Defenders entered into an agreement with Bank of America providing for a \$2,000,000 revolving line of credit with a variable interest rate, which was 4.72 and 3.96 percent at June 30, 2017 and 2016, respectively. The line of credit agreement was extended and is set to expire on February 1, 2018. The line of credit is secured by all business assets of The Bronx Defenders. The outstanding balance was \$2,000,000 and \$1,800,000 as of June 30, 2017 and 2016, respectively. The interest expense for the years ended June 30, 2017 and 2016 was \$26,469 and \$9,609, respectively.

On June 1, 2017, The Bronx Defenders entered into an agreement with Bank of America providing for a \$1,800,000 non-revolving line of credit with a variable interest rate, which was 4.72 at June 30, 2017. The line of credit agreement is set to expire on June 1, 2018. The line of credit is secured by all business assets of The Bronx Defenders. The outstanding balance was \$800,000 as of June 30, 2017. The interest expense for the year ended June 30, 2017 was \$1,258.

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

6. LEASED FACILITIES

The Bronx Defenders leases facilities for its administrative office and program services under a noncancelable lease that ends in January 2021. In addition, The Bronx Defenders acquired additional leased space at 360 and 361 East 161st Street under a noncancelable lease that ends in April 2022 with two successive options to renew, each for an additional five years. Still She Rises leased space in Tulsa, Oklahoma beginning in October 2016 with an initial five year term and the option to renew for two additional five year terms. In accordance with generally accepted accounting principles in the United States of America, The Bronx Defenders and Affiliate have recorded rent on the straight-line basis, reflecting rent expense evenly over the lives of the leases. Rent expense for the years ended June 30, 2017 and 2016 was \$855,818 and 828,757, respectively.

Future rental payments are as follows:

Year Ending June 30,	Amount
2018	\$ 979,849
2019	999,206
2020	1,026,950
2021	828,197
2022	504,170
Thereafter	--
	<u>\$ 4,338,372</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	2017	2016
Center for Holistic Defense	\$ --	\$ 89
Civil Action Projects	143,777	137,016
Community Arts Exchange Program	31,476	31,476
Family Defense Project Child Welfare	--	195,000
Robert P. Patterson Mentoring Program	250,186	330,675
Adolescent Defense Project	109,086	100,000
Fair Punishment Project	31,698	--
Tulsa Project	384,753	76,942
	<u>\$ 950,976</u>	<u>\$ 871,198</u>

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes for the years ending June 30:

	2017	2016
Center for Holistic Defense	\$ 76,147	\$ 152,491
Civil Action Projects	3,773,237	3,073,652
Community Arts Exchange Program	--	--
Family Defense Project Child Welfare	195,000	--
Robert P. Patterson Mentoring Program	110,139	--
Adolescent Defense Project	90,914	--
Fair Punishment Project	48,302	--
Tulsa Project	630,240	40,058
	<u>\$ 4,923,979</u>	<u>\$ 3,266,201</u>

8. FUNCTIONAL EXPENSES

Total expenses were for the following purposes for the year ending June 30, 2017:

	Operating Expenses	Depreciation and Amortization	Total
Programs - legal services	\$ 26,602,785	\$ 836,360	\$ 27,439,145
Management and general	2,189,668	147,594	2,337,262
Fundraising	245,163	--	245,163
Direct cost of special events	196,959	--	196,959
	<u>\$ 29,234,575</u>	<u>\$ 983,954</u>	<u>\$ 30,218,529</u>

Total expenses were for the following purposes for the year ending June 30, 2016

	Operating Expenses	Depreciation and Amortization	Total
Programs - legal services	\$ 23,490,944	\$ 897,578	\$ 24,388,522
Management and general	1,942,977	158,396	2,101,373
Fundraising	208,270	--	208,270
Direct cost of special events	146,753	--	146,753
	<u>\$ 25,788,944</u>	<u>\$ 1,055,974</u>	<u>\$ 26,844,918</u>

9. COMMITMENTS

During October 2016, The Bronx Defenders contracted for leasehold improvements totaling \$1,656,143 to be made to additional office space. The total costs incurred amounted to \$991,145 as of June 30, 2017 and are included in construction in progress – leasehold improvements with fixed assets. Retainage payable in relation to these costs incurred amounted to \$95,570 as of June 30, 2017. The lease on this new space commenced in October 2017.

**The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016**

10. PENSION PLAN

The Bronx Defenders and Affiliate have a defined contribution pension plan available to its employees. Each employee may make annual contributions, subject to Internal Revenue Service limitations. All employees are eligible to make elective deferrals beginning on the date of hire. All employees are eligible to participate in the employer contributions once they complete one month of service. The employer contributed three percent of the amount of the employee's elective deferral. The employer portion vests after three years of service. Pension expense for the years ended June 30, 2017 and 2016, was \$606,576 and 588,235, respectively.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of May 10, 2018, the date for which the consolidated financial statements were available to be released. Based upon this evaluation, The Bronx Defenders has entered into a lease agreement commencing on October 15, 2017 with an initial ten year term and the option to renew for two additional five year terms. Future rent payments are as follows:

Year Ending June 30,	Amount
2018	\$ --
2019	115,940
2020	340,136
2021	348,636
2022	357,356
Thereafter	<u>2,061,216</u>
	<u>\$ 3,223,284</u>