



**THE BRONX DEFENDERS AND AFFILIATE
(Still She Rises, A Project of the Bronx Defenders, LLC)
Consolidated Financial Statements
June 30, 2019 and 2018
With Independent Auditor's Report**

The Bronx Defenders and Affiliate
Table of Contents
June 30, 2019 and 2018

Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-15

INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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.

Auditor's 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 auditor's 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2, in 2019, the Organization adopted Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

February 27, 2020

The Bronx Defenders and Affiliate
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,023,331	\$ 907,489
Receivables from New York City	7,022,923	7,464,323
Grants receivable	1,165,268	1,010,980
Prepaid expenses and other assets	225,594	170,366
Security deposit	477,763	477,871
Fixed assets, net	<u>6,501,971</u>	<u>6,211,334</u>
Total assets	<u>\$ 16,416,850</u>	<u>\$ 16,242,363</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,693,462	\$ 1,246,374
Other contract advances	1,388,520	52,885
Deferred rent	1,123,559	1,185,359
Due to government agencies	73,524	73,524
Retainage payable	-	69,519
Lines of credit	<u>4,500,000</u>	<u>3,963,369</u>
Total liabilities	8,779,065	6,591,030
Net assets		
Without donor restrictions	7,396,355	8,629,183
With donor restrictions	<u>241,430</u>	<u>1,022,150</u>
Total net assets	<u>7,637,785</u>	<u>9,651,333</u>
Total liabilities and net assets	<u>\$ 16,416,850</u>	<u>\$ 16,242,363</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, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support						
Grants	\$ 36,129,262	\$ 2,866,941	\$ 38,996,203	\$ 28,926,436	\$ 6,861,960	\$ 35,788,396
Contributions	476,485	-	476,485	973,375	-	973,375
Special events - revenues	598,311	-	598,311	364,200	-	364,200
Less direct costs of special events	<u>(135,793)</u>	<u>-</u>	<u>(135,793)</u>	<u>(139,152)</u>	<u>-</u>	<u>(139,152)</u>
Net special event revenues	462,518	-	462,518	225,048	-	225,048
Case processing revenue	30,589	-	30,589	106,000	-	106,000
Lawsuit settlement and attorney fees	872,255	-	872,255	473,276	-	473,276
Miscellaneous revenue	<u>179,802</u>	<u>-</u>	<u>179,802</u>	<u>34,050</u>	<u>-</u>	<u>34,050</u>
Total revenues and other support	38,150,911	2,866,941	41,017,852	30,738,185	6,861,960	37,600,145
Net assets released from restrictions	<u>3,647,661</u>	<u>(3,647,661)</u>	<u>-</u>	<u>6,790,786</u>	<u>(6,790,786)</u>	<u>-</u>
	<u>41,798,572</u>	<u>(780,720)</u>	<u>41,017,852</u>	<u>37,528,971</u>	<u>71,174</u>	<u>37,600,145</u>
Expenses						
Program services - legal services	36,473,021	-	36,473,021	31,250,944	-	31,250,944
Management and general	5,061,966	-	5,061,966	2,958,407	-	2,958,407
Fundraising	<u>300,482</u>	<u>-</u>	<u>300,482</u>	<u>307,931</u>	<u>-</u>	<u>307,931</u>
Total expenses	<u>41,835,469</u>	<u>-</u>	<u>41,835,469</u>	<u>34,517,282</u>	<u>-</u>	<u>34,517,282</u>
Changes in net assets before depreciation and amortization	(36,897)	(780,720)	(817,617)	3,011,689	71,174	3,082,863
Depreciation and amortization	<u>1,195,931</u>	<u>-</u>	<u>1,195,931</u>	<u>1,106,134</u>	<u>-</u>	<u>1,106,134</u>
Changes in net assets	(1,232,828)	(780,720)	(2,013,548)	1,905,555	71,174	1,976,729
Net assets, beginning of year	<u>8,629,183</u>	<u>1,022,150</u>	<u>9,651,333</u>	<u>6,723,628</u>	<u>950,976</u>	<u>7,674,604</u>
Net assets, end of year	<u>\$ 7,396,355</u>	<u>\$ 241,430</u>	<u>\$ 7,637,785</u>	<u>\$ 8,629,183</u>	<u>\$ 1,022,150</u>	<u>\$ 9,651,333</u>

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

The Bronx Defenders and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ (2,013,548)	\$ 1,976,729
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	1,195,931	1,106,134
Changes in assets and liabilities		
Receivables from New York City	441,400	(3,775,975)
Grants receivable	(154,288)	43,172
Prepaid expenses and other assets	(55,228)	323,065
Security deposits	108	(28,951)
Accounts payable and accrued expenses	447,088	656,021
Retainage payable	(69,519)	(26,051)
Other contract advances	1,335,635	9,476
Deferred rent	<u>(61,800)</u>	<u>562,436</u>
Net cash provided by operating activities	<u>1,065,779</u>	<u>846,056</u>
Investing activities		
Purchase of property and equipment, net	<u>(1,486,568)</u>	<u>(2,142,971)</u>
Financing activities		
Drawdowns on line of credit	4,500,000	4,463,369
Repayments of line of credit	<u>(3,963,369)</u>	<u>(3,300,000)</u>
Net cash provided by financing activities	<u>536,631</u>	<u>1,163,369</u>
Net change in cash and cash equivalents	115,842	(133,546)
Cash		
Beginning of year	<u>907,489</u>	<u>1,041,035</u>
End of year	<u>\$ 1,023,331</u>	<u>\$ 907,489</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 224,952</u>	<u>\$ 116,568</u>
Non-cash investing activity		
Construction in progress placed in service	<u>\$ -</u>	<u>\$ 991,145</u>

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

The Bronx Defenders and Affiliate Consolidated Statements of Cash Flows Years Ended June 30, 2019 and 2018

1. NATURE OF ORGANIZATION

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

The Bronx Defenders (the "Organization") 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 Bronx Defenders 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 24,000 and 21,700 indigent persons for the years ended June 30, 2019 and 2018, 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 tax 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. Effective July 1, 2019, The Bronx Defenders and Still She Rises Project, Inc. executed a separation agreement whereas Still She Rises will operate in the future as an independent enterprise and as an independent entity (see Note 12).

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 two classes of net assets: without donor restricted net assets and with donor 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.

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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.

Allowance for Doubtful Accounts

The Bronx Defenders and Affiliate determines whether an allowance for uncollectible accounts 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, 2019 and 2018.

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.

Valuation of Long-Lived Assets

In accordance with the pronouncement dealing with the *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Agency reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these consolidated financial statements.

Due to Government Agencies

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

Classification of Net Assets

Without donor restricted 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.

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, 2019 and 2018

With donor restricted net assets – include 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 Grants 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 with donor 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, with restricted net assets are reclassified as without donor restricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Lawsuit Settlement and Attorney 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 a functional 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. The principal expenses that are allocated and the method of allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Full-Time Equivalent
Fringe	Full-Time Equivalent
Consultants - Client service	Direct Cost
Outside consultants	Direct Cost
Rent and Occupancy	Full-Time Equivalent
Depreciation	Organizational Rate

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.

Lease incentives are recorded as a deferred liability when received and subsequently credited to rent expense on a straight-line basis over the life of the lease.

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, 2019 and 2018, 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 Notes to Consolidated Financial Statements are an integral part of these statements.

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The Bronx Defenders and Affiliate received approximately 78% and 79% of its revenue from contracts with New York City for the years ending June 30, 2019 and 2018, respectively. The loss of any individual contract would not have a material impact on the Organization's operations. The Organization has not experienced a significant loss of contracts in the past. These contracts are also subject to audit by various agencies. To date, no significant adjustments have resulted from such audits.

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 uncertainty for income taxes. Management has determined that there are no uncertain tax positions at the Organization as of June 30, 2019 and 2018. The Organization has no income tax related penalties or interest for the periods reported in these consolidated financial statements.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. The reclassification had no effect on the change in net assets previously recorded.

New Accounting Pronouncements Adopted in the Current Year

Not-for-profit Reporting

During 2018, the Organization adopted Accounting Standards Update ("ASU") 2016-14 – *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board ("FASB"). This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassification driven by the adoption of the ASU 2014-14 as of June 30, 2018 is as follows:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted	\$ 8,629,183	\$ -	\$ 8,629,183
Temporarily restricted	-	1,022,150	1,022,150
Net assets as previously presented	<u>\$ 8,629,183</u>	<u>\$ 1,022,150</u>	<u>\$ 9,651,333</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, 2019 and 2018

New Accounting Pronouncements Issued Not Yet Effective

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of the adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Contribution Revenue Recognition

In July 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statements of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. Upon adoption, the Organization anticipates including its restricted cash within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows.

The Organization is evaluating the impact the ASUs will have on its consolidated financial statements.

The Bronx Defenders and Affiliate
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, the Organization's liquidity resources and financial assets available within one year for general expenditures, such as operating expenses, fulfillment of payment of accounts payable and expenditures, were as follows:

Financial assets		
Cash and cash equivalents	\$	1,023,331
Receivables from New York City		7,022,923
Grants receivable		<u>1,165,268</u>
 Financial assets available within one year	 \$	 <u>9,211,522</u>

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due.

4. FIXED ASSETS

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

	<u>2019</u>	<u>2018</u>
Equipment and furniture	\$ 2,474,236	\$ 2,349,777
Leasehold improvements	14,749,477	12,408,905
Construction in progress - leasehold improvements	<u>-</u>	<u>978,463</u>
	17,223,713	15,737,145
Less: Accumulated depreciation	<u>10,721,742</u>	<u>9,525,811</u>
	<u>\$ 6,501,971</u>	<u>\$ 6,211,334</u>

Depreciation and amortization amounted to \$1,195,932 and \$1,106,134 for the years ending June 30, 2019 and 2018, respectively.

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, 2019 and 2018

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

The Bronx Defenders and Still She Rises Project, Inc. executed a separation agreement whereas Still She Rises will operate in the future as an independent enterprise and as an independent entity (see Note 12). The summarized financial information for Still She Rises is as follows for the fiscal years ended June 30:

	<u>2019</u>	<u>2018</u>
Current assets	\$ -	\$ 260,090
Other assets	-	294,041
Total assets	<u>\$ -</u>	<u>\$ 554,131</u>
Current liabilities	\$ 44,421	\$ 26,074
Other liabilities	947,448	15,878
Net assets	<u>(991,869)</u>	<u>512,179</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 554,131</u>
Revenue	\$ 1,196,647	\$ 1,701,529
Salaries and other personnel costs	(1,953,226)	(958,315)
Other operating expenses	<u>(635,034)</u>	<u>(231,035)</u>
Change in net assets	<u>\$ (1,391,613)</u>	<u>\$ 512,179</u>

6. 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 5.90% and 5.59% at June 30, 2019 and 2018, respectively. The line of credit agreement was extended to May 1, 2020. On May 15, 2019, the line of credit amount was increased to \$4,500,000. The line of credit is secured by all business assets of The Bronx Defenders. The outstanding balance was \$4,500,000 and \$3,963,369 as of June 30, 2019 and 2018, respectively.

Interest expense for the years ended June 30, 2019 and 2018 amounted to \$224,952 and \$116,568, respectively.

7. 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. The Bronx Defenders entered into a lease for additional office space at 3160 Park Avenue that commenced in August 2017. In connection with this lease agreement The Bronx Defenders received \$433,500 as an incentive for tenant improvements. The balance of the lease incentive obligation at June 30, 2019 and 2018 was \$373,201 and \$414,487, respectively, and is included in deferred rent on the consolidated balance sheets.

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, 2019 and 2018

In March 2018, the 3160 Park Avenue lease was amended to include additional office space at the location. The amended lease has an initial ten year term and the option to renew for two additional five year terms. The additional space was ready for use and occupied by The Bronx Defenders in October 2018. The Bronx Defenders is expected to receive an additional \$177,080 in lease incentive obligations in relation to the leasehold improvements (see Note 10).

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, 2019 and 2018 was \$1,629,197 and \$1,261,480, respectively.

Future rental payments are as follows:

Year Ending June 30,	Amount
2020	\$ 1,675,982
2021	1,493,219
2022	1,185,408
2023	697,654
2024	714,316
Thereafter	<u>2,552,472</u>
	<u>\$ 8,319,051</u>

8. WITH DONOR RESTRICTED NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Civil Action Projects	\$ 1,135	\$ 191,372
Community Arts Exchange Program	31,476	31,476
Robert P. Patterson Mentoring Program	25,199	137,871
Adolescent Defense Project	7,922	7,922
Fair Punishment Project	74,698	74,698
Tulsa Project	-	578,811
Other	<u>101,000</u>	<u>-</u>
	<u>\$ 241,430</u>	<u>\$ 1,022,150</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, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Civil Action Projects	\$ 1,141,277	\$ 4,837,726
Robert P. Patterson Mentoring Program	113,172	159,011
Adolescent Defense Project	229,837	243,514
Fair Punishment Project	-	-
Tulsa Project	2,015,029	1,468,592
Other programs	<u>148,346</u>	<u>81,943</u>
	<u>\$ 3,647,661</u>	<u>\$ 6,790,786</u>

9. FUNCTIONAL EXPENSES

Total expenses were for the following purposes for the year ending June 30, 2019:

	<u>2019</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 24,882,152	\$ 2,555,982	\$ 201,619	\$ 27,639,753
Fringe	5,518,381	840,392	25,347	6,384,120
Consultants - Client service	539,259	-	-	539,259
Outside Consultants	1,532,899	410,250	2,404	1,945,553
Equipment	99,784	15,366	480	115,630
Postage, Printing and Supplies	373,873	57,865	1,834	433,572
Travel	754,267	116,740	3,701	874,708
Telephone and Use Charges	136,584	21,139	670	158,393
Rent and Occupancy	1,961,101	414,317	18,414	2,393,832
Fundraising	-	-	155,027	155,027
Interest Expenses	-	224,952	-	224,952
Insurance	156,319	24,194	767	181,280
Dues and Subscriptions	529,274	-	-	529,274
Merchant Service Charges	-	6,175	11,643	17,818
Repairs and Maintenance	29,302	4,381	139	33,822
Recruitment and Hiring Costs	132,300	8,605	274	141,179
Construction Costs	-	-	-	-
Miscellaneous	<u>1,206</u>	<u>201,884</u>	<u>-</u>	<u>203,090</u>
Total expenses before depreciation	36,646,701	4,902,242	422,319	41,971,262
Depreciation	<u>122,512</u>	<u>1,073,419</u>	<u>-</u>	<u>1,195,931</u>
	<u>\$ 36,769,213</u>	<u>\$ 5,975,661</u>	<u>\$ 422,319</u>	<u>\$ 43,167,193</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, 2019 and 2018

Total expenses were for the following purposes for the year ending June 30, 2018:

	<u>Operating Expenses</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Programs - legal services	\$ 31,250,944	\$ 940,214	\$ 32,191,158
Management and general	2,958,407	165,920	3,124,327
Fundraising	307,931	-	307,931
Direct cost of special events	<u>139,152</u>	<u>-</u>	<u>139,152</u>
	<u>\$ 34,656,434</u>	<u>\$ 1,106,134</u>	<u>\$ 35,762,568</u>

10. COMMITMENTS

During May 2018, The Bronx Defenders contracted for leasehold improvements totaling \$1,991,791 to be made to additional office space. The total costs incurred amounted to \$695,185 as of June 30, 2018 and were included in construction in progress – leasehold improvements with fixed assets. The improvements were substantially completed during the year ended June 30, 2019, and the lease on this new space commenced in April 2018.

11. 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 3% 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, 2019 and 2018, was \$743,058 and \$723,531, respectively.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of February 27, 2020, the date for which the consolidated financial statements were available to be released. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the consolidated financial statements other than the following:

Effective July 1, 2019, The Bronx Defenders and Still She Rises Project, Inc. executed a separation agreement whereas Still She Rises will operate in the future as an independent enterprise and as an independent entity. The final reconciliation date is August 30, 2019. Any surplus or deficit shall be settled between The Bronx Defenders and Still She Rises, Inc. before this final reconciliation date.

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