




# **Brooklyn Defender Services**

## **Independent Auditor's Report and Financial Statements**

June 30, 2024 and 2023



**Brooklyn Defender Services**  
**Contents**  
**June 30, 2024 and 2023**

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## **Independent Auditor's Report**

Board of Directors  
Brooklyn Defender Services  
Brooklyn, New York

### ***Opinion***

We have audited the financial statements of Brooklyn Defender Services, 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 year 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 Brooklyn Defender Services 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 Brooklyn Defender Services, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Brooklyn Defender Services' 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 Brooklyn Defender Services' 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 Brooklyn Defender Services' 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  
February 3, 2025**

**Brooklyn Defender Services**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash	\$ 3,417,576	\$ 2,632,073
Government contracts receivable, current	11,333,008	16,966,454
Prepaid expenses, other receivables, and security deposits	1,058,613	1,154,279
Property and equipment, net	1,910,790	2,254,489
Right-of-use asset - operating	26,094,136	30,033,446
<b>Total Assets</b>	<b>\$ 43,814,123</b>	<b>\$ 53,040,741</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,135,442	\$ 3,348,583
Accrued vacation payable	2,372,299	2,609,535
Line of credit	-	7,500,000
Loans payable	6,231,556	8,840,897
Advances from grantors	26,005	49,646
Operating lease liability	30,428,692	34,568,758
<b>Total Liabilities</b>	<b>42,193,994</b>	<b>56,917,419</b>
<b>Net Assets (Deficit)</b>		
Without donor restrictions	1,554,790	(4,037,434)
With donor restrictions	65,339	160,756
<b>Total Net Assets (Deficit)</b>	<b>1,620,129</b>	<b>(3,876,678)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 43,814,123</b>	<b>\$ 53,040,741</b>

**Brooklyn Defender Services**  
**Statements of Activities**  
**Years Ended June 30, 2024 and 2023**

	<b>2024</b>			<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues</b>						
Government contracts	\$ 82,923,644	\$ -	\$ 82,923,644	\$ 74,640,360	\$ -	\$ 74,640,360
Contributions	601,395	74,967	676,362	770,677	152,298	922,975
Special event	118,556	-	118,556	117,175	-	117,175
Forgiveness of PPP loan	5,534,246	-	5,534,246	-	-	-
Net assets released from restriction	170,384	(170,384)	-	95,946	(95,946)	-
<b>Total revenues</b>	<b>89,348,225</b>	<b>(95,417)</b>	<b>89,252,808</b>	<b>75,624,158</b>	<b>56,352</b>	<b>75,680,510</b>
<b>Expenses</b>						
Program services						
Criminal Defense	51,471,537	-	51,471,537	45,169,355	-	45,169,355
Family Defense	13,965,670	-	13,965,670	13,273,167	-	13,273,167
Immigration	5,953,956	-	5,953,956	5,786,412	-	5,786,412
Civil	2,292,205	-	2,292,205	1,950,261	-	1,950,261
Total program services	73,683,368	-	73,683,368	66,179,195	-	66,179,195
Supporting services						
Management and general	9,975,182	-	9,975,182	9,310,452	-	9,310,452
Fundraising	94,453	-	94,453	347,249	-	347,249
Direct costs of special events	2,998	-	2,998	67,382	-	67,382
Total expenses	83,756,001	-	83,756,001	75,904,278	-	75,904,278
<b>Change in Net Assets</b>	<b>5,592,224</b>	<b>(95,417)</b>	<b>5,496,807</b>	<b>(280,120)</b>	<b>56,352</b>	<b>(223,768)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>(4,037,434)</b>	<b>160,756</b>	<b>(3,876,678)</b>	<b>(3,757,314)</b>	<b>104,404</b>	<b>(3,652,910)</b>
<b>Net Assets (Deficit), End of Year</b>	<b>\$ 1,554,790</b>	<b>\$ 65,339</b>	<b>\$ 1,620,129</b>	<b>\$ (4,037,434)</b>	<b>\$ 160,756</b>	<b>\$ (3,876,678)</b>

**Brooklyn Defender Services**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Program Services					Supporting Services				Total
	Criminal Defense	Family Defense	Immigration	Civil	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	
<b>Salaries and Related Expenses</b>										
Salaries	\$33,811,054	\$ 9,083,383	\$ 3,727,679	\$ 1,543,861	\$48,165,977	\$ 5,943,074	\$ -	\$ -	\$ 5,943,074	\$54,109,051
Payroll taxes and employee benefits	9,651,709	2,592,944	1,064,104	440,711	13,749,468	1,696,511	-	-	1,696,511	15,445,979
<b>Total Salaries and Related Expenses</b>	<b>43,462,763</b>	<b>11,676,327</b>	<b>4,791,783</b>	<b>1,984,572</b>	<b>61,915,445</b>	<b>7,639,585</b>	<b>-</b>	<b>-</b>	<b>7,639,585</b>	<b>69,555,030</b>
<b>Other Costs</b>										
Professional fees	1,415,732	321,272	258,175	43,363	2,038,542	980,629	84,000	-	1,064,629	3,103,171
IT expenses	818,549	268,674	99,108	29,659	1,215,990	272,903	3,500	-	276,403	1,492,393
Library (reference materials)	222,620	40,252	16,082	5,685	284,639	23,692	-	-	23,692	308,331
Occupancy	4,052,065	1,198,072	492,912	170,950	5,913,999	348,630	-	-	348,630	6,262,629
Communication	514,853	149,215	63,646	22,712	750,426	72,182	-	-	72,182	822,608
Insurance	102,296	29,729	13,067	4,576	149,668	63,437	-	-	63,437	213,105
Training	174,241	48,553	13,414	3,382	239,590	60,563	-	-	60,563	300,153
Depreciation and amortization	211,145	57,290	24,424	9,403	302,262	43,160	-	-	43,160	345,422
Venue and entertainment	-	-	-	-	-	1,375	-	2,719	4,094	4,094
Interest expense	-	-	-	-	-	287,572	-	-	287,572	287,572
Travel	146,227	25,128	8,906	375	180,636	1,528	-	25	1,553	182,189
Miscellaneous expense	351,046	151,158	172,439	17,528	692,171	179,926	6,953	254	187,133	879,304
<b>Total Other Costs</b>	<b>8,008,774</b>	<b>2,289,343</b>	<b>1,162,173</b>	<b>307,633</b>	<b>11,767,923</b>	<b>2,335,597</b>	<b>94,453</b>	<b>2,998</b>	<b>2,433,048</b>	<b>14,200,971</b>
<b>Total Expenses Reported by Function on the Statements of Activities</b>	<b>\$51,471,537</b>	<b>\$13,965,670</b>	<b>\$ 5,953,956</b>	<b>\$ 2,292,205</b>	<b>\$73,683,368</b>	<b>\$ 9,975,182</b>	<b>\$ 94,453</b>	<b>\$ 2,998</b>	<b>\$10,072,633</b>	<b>\$83,756,001</b>

**Brooklyn Defender Services**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services					Supporting Services				Total
	Criminal Defense	Family Defense	Immigration	Civil	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	
<b>Salaries and Related Expenses</b>										
Salaries	\$28,777,040	\$ 8,578,146	\$ 3,628,800	\$ 1,252,365	\$42,236,351	\$ 4,790,756	\$ -	\$ -	\$ 4,790,756	\$47,027,107
Payroll taxes and employee benefits	8,736,932	2,604,391	1,101,732	380,228	12,823,283	1,454,511	-	-	1,454,511	14,277,794
<b>Total Salaries and Related Expenses</b>	<b>37,513,972</b>	<b>11,182,537</b>	<b>4,730,532</b>	<b>1,632,593</b>	<b>55,059,634</b>	<b>6,245,267</b>	<b>-</b>	<b>-</b>	<b>6,245,267</b>	<b>61,304,901</b>
<b>Other Costs</b>										
Professional fees	1,421,198	309,130	248,180	37,821	2,016,329	991,744	314,000	-	1,305,744	3,322,073
IT expenses	935,245	305,267	104,365	38,257	1,383,134	174,337	7,409	-	181,746	1,564,880
Library (reference materials)	197,939	36,028	17,168	5,577	256,712	17,801	-	-	17,801	274,513
Occupancy	3,547,176	1,038,354	445,973	147,531	5,179,034	1,063,078	-	-	1,063,078	6,242,112
Communication	571,152	156,537	72,945	23,875	824,509	67,038	-	-	67,038	891,547
Insurance	114,256	31,122	14,564	4,773	164,715	91,906	-	-	91,906	256,621
Training	71,773	10,163	4,938	1,565	88,439	49,733	296	-	50,029	138,468
Depreciation and amortization	247,872	73,011	31,825	10,727	363,435	46,193	-	-	46,193	409,628
Venue and entertainment	-	-	-	-	-	-	-	67,382	67,382	67,382
Interest expense	-	-	-	-	-	385,129	-	-	385,129	385,129
Travel	109,191	11,187	10,488	839	131,705	2,673	112	-	2,785	134,490
Miscellaneous expense	439,581	119,831	105,434	46,703	711,549	175,553	25,432	-	200,985	912,534
<b>Total Other Costs</b>	<b>7,655,383</b>	<b>2,090,630</b>	<b>1,055,880</b>	<b>317,668</b>	<b>11,119,561</b>	<b>3,065,185</b>	<b>347,249</b>	<b>67,382</b>	<b>3,479,816</b>	<b>14,599,377</b>
<b>Total Expenses Reported by Function on the Statements of Activities</b>	<b>\$45,169,355</b>	<b>\$13,273,167</b>	<b>\$ 5,786,412</b>	<b>\$ 1,950,261</b>	<b>\$66,179,195</b>	<b>\$ 9,310,452</b>	<b>\$ 347,249</b>	<b>\$ 67,382</b>	<b>\$ 9,725,083</b>	<b>\$75,904,278</b>



**Brooklyn Defender Services**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ 5,496,807	\$ (223,768)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	345,422	409,629
Noncash operating lease	(200,756)	4,535,312
Forgiveness of PPP loan	(5,534,246)	-
Changes in		
Government contracts receivable	5,633,446	1,469,894
Prepaid expenses, other receivables, and security deposits	95,666	(56,736)
Accounts payable and accrued expenses	(213,141)	117,201
Accrued vacation payable	(237,236)	206,553
Advances from grantors	(23,641)	2,146
Deferred rent	-	(3,309,389)
<b>Net Cash Provided by Operating Activities</b>	<u>5,362,321</u>	<u>3,150,842</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(1,723)	(1,923,209)
<b>Net Cash Used in Investing Activities</b>	<u>(1,723)</u>	<u>(1,923,209)</u>
<b>Financing Activities</b>		
Repayment of the line of credit	(7,500,000)	-
Proceeds from loans	4,000,000	-
Repayment of loans	(1,075,095)	-
<b>Net Cash Used in Financing Activities</b>	<u>(4,575,095)</u>	<u>-</u>
<b>Net Change in Cash</b>	785,503	1,227,633
<b>Cash, Beginning of Year</b>	<u>2,632,073</u>	<u>1,404,440</u>
<b>Cash, End of Year</b>	<u>\$ 3,417,576</u>	<u>\$ 2,632,073</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest	\$ 287,572	\$ 385,129

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

### ***Nature of Operations***

Brooklyn Defender Services (Organization) was incorporated on March 22, 1996, under the laws of the State of New York.

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. The Organization commenced operations on June 1, 1996. The Organization provides legal services without cost to indigent people. During the current year, the Organization represented approximately 40,000 clients in 2024 and 35,000 clients in 2023. Its primary source of revenues is government contracts (city and state) for indigent defense.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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 \$3,790,000. Management believes that credit risk related to these accounts is minimal.

### ***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. No provision for any disallowances is reflected in the financial statements since management does not anticipate any material adjustments. Revenue and receivables are recorded when earned. Advances are recorded for any deposits received but not earned.

### ***Allowance for Doubtful Accounts***

The Organization determines whether an allowance for uncollectible accounts should be provided for contracts receivable. Such estimates are based on management's assessment of the aged basis of its contracts, current economic conditions, subsequent receipts, and historical information. Contracts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2024 and 2023, the Organization had no allowance for doubtful accounts.

### ***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.

**Brooklyn Defender Services**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

Furniture and equipment	5 - 20 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 is 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 year ended June 30, 2024 and 2023.

***Net Assets***

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

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

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

***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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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 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.

### ***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. Certain costs have been allocated among the program, management and general, and fundraising categories based on the direct charge method as well as other methods.

### ***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.

### ***Leases***

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of 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, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

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.

### ***Reclassifications***

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on the change in net assets.

## **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 grant agreements. Receipt of these grants is conditional upon the Organization expending specified amounts of the grant within certain time periods and under specified criteria from the grantor. Since the financial statements of the Organization are prepared on the accrual basis, all portions of the grants not yet received as of June 30, 2024, where the Organization has an unconditional right to payment have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2024:

<b>Grant</b>	<b>Term</b>	<b>Grant Amount</b>	<b>Earned or Forfeited Through 2024</b>	<b>Funding Available</b>
New York City Mayor's Office of Criminal Justice - Trials	7/1/2023 - 6/30/2025	\$ 107,563,588	\$ 53,521,118	\$54,042,470
New York City Human Resource Administration	7/1/2023 - 6/30/2026	20,847,499	5,768,333	15,079,166
New York State Unified Court System - Civil Legal Services - C250779	1/1/2022 - 12/31/2026	8,137,081	3,809,363	4,327,718
New York State Unified Court System - AO/JD - C250683	4/1/2020 - 3/31/2025	6,903,726	5,670,251	1,233,475
New York City Department of Youth And Community Development - Right to Family Advocacy	7/1/2023 - 6/30/2026	2,437,500	650,000	1,787,500
New York State Division of Criminal Justice - Byrne JAG Interest	4/1/2024 - 12/31/2024	607,279	48,367	558,912
New York State Division of Criminal Justice - Byrne JAG Interest	4/1/2024 - 12/31/2024	577,668	-	577,668
New York State Division of Criminal Justice - Byrne JAG Interest	4/1/2024 - 12/31/2024	430,171	-	430,171
New York City Mayor's Office of Criminal Justice - Alternatives to Incarceration	7/1/2023 - 6/30/2026	461,250	123,000	338,250
New York State Interest on Lawyers Account	3/1/2023 - 3/31/2025	440,000	219,673	220,327
<b>Total</b>		<b>\$ 148,405,762</b>	<b>\$ 69,810,105</b>	<b>\$78,595,657</b>

The grant agreements include certain clauses that allow them to be terminated in whole or in part by the granting agency as well as the Organization.

## **Note 3. Property and Equipment**

Property and equipment at June 30, 2024 and 2023 consist of:

	<b>Cost</b>	<b>2024 Accumulated Depreciation and Amortization</b>	<b>Net</b>
Equipment and furniture	\$ 1,007,402	\$ 947,907	\$ 59,495
Leasehold improvements	4,227,491	2,376,196	1,851,295
	<b>\$ 5,234,893</b>	<b>\$ 3,324,103</b>	<b>\$ 1,910,790</b>

**Brooklyn Defender Services**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

	<b>2023</b>		
	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net</b>
Equipment and furniture	\$ 1,005,679	\$ 917,222	\$ 88,457
Leasehold improvements	4,227,491	2,061,459	2,166,032
	<u>\$ 5,233,170</u>	<u>\$ 2,978,681</u>	<u>\$ 2,254,489</u>

## **Note 4. Leases**

### ***Nature of Leases***

The Organization has entered into the following lease arrangements:

### ***Operating Leases***

The Organization has leases for office space and equipment that expire through fiscal year 2038. The lease requires the Organization to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule which approximates a 2.5% increase each year. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

### ***All Leases***

The Organization has no material related-party leases.

### ***Quantitative Disclosures***

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

	<b>2024</b>	<b>2023</b>
Lease cost		
Operating lease cost	\$ 4,797,493	\$ 5,009,168
Variable lease cost	197,384	69,483
Total lease cost	<u>\$ 4,994,877</u>	<u>\$ 5,078,651</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 4,994,877	\$ 5,188,983
Right-of-use assets obtained in exchange for new operating lease liabilities	142,160	-
Weighted-average remaining lease term		
Operating leases	7.73 years	8.48 years
Weighted-average discount rate		
Operating leases	2.26%	2.25%

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Future minimum lease payments and reconciliation to the statements of financial position at June 30, 2024 are as follows:

	<u>Operating Leases</u>
2024	\$ 4,738,141
2025	4,756,674
2026	4,282,254
2027	4,111,413
2028	4,227,560
Thereafter	<u>11,175,087</u>
Total future undiscounted lease payments	33,291,129
Less interest	<u>(2,862,437)</u>
Lease liabilities	<u><u>\$ 30,428,692</u></u>

**Note 5. Line of Credit**

The Organization had a \$7,500,000 revolving line of credit that expired in September 2023. The line of credit was not renewed. At June 30, 2023, there was \$7,500,000 borrowed against this line. The line was collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate, which was 8.25% at June 30, 2023. The balance was repaid in full in August 2023.

**Note 6. Loans Payable**

On March 27, 2021, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On January 25, 2021, the Organization received a loan in the amount of \$8,840,898 pursuant to the Paycheck Protection Program (PPP). The Organization has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. The loan is due five years from the date of the first disbursement under the loan and has a fixed interest rate of 1% per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to any gain recognized.

On July 27, 2023, the SBA approved partial forgiveness of the PPP loan for the amount of \$5,534,246. During the year 2024, the Organization paid \$1,075,096, with the remaining balance of the loan to be repaid over 17 months with equal principal and interest payments. The loan bears interest at 1% with final payment due on January 25, 2026. As of June 30, 2024, the annual maturities of the remaining balance of the loan payable are:

2025	\$ 1,405,294
2026	<u>826,262</u>
	<u><u>\$ 2,231,556</u></u>

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In January 2024, the Organization received a loan of \$4,000,000 from FJC to cover operating expenses pending receipt of funds from government funders. Interest is payable quarterly on the unpaid principle at the prime rate plus three percent. This loan was paid in its entirety subsequent to year end.

**Note 7. Pension**

The Organization has a contributory-defined contribution 403(b) plan which covers all full-time employees. The employees can contribute up to the maximum allowed by the Internal Revenue Code. The amount contributed by the sponsor is within the Organization's discretion, under the plan documents; however, the Organization's collective bargaining agreement requires a 5% employer contribution. On termination of service due to death, disability, or retirement, participants are eligible for a lump-sum payment or annual installments over a 10- year period based on the vested amounts as per plan document. Pension expense for 2024 and 2023, was \$2,692,741 and \$2,311,629, respectively. As of June 30, 2024 and 2023, the pension payable was \$2,692,741 and \$2,311,629 respectively, and was included in accounts payable and accrued expenses on the statement of financial position.

**Note 8. Net Assets**

***Net Assets With Donor Restrictions***

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Affordable Housing	\$ 17,654	\$ 28,435
COVID-19 Response Fund	1,000	1,000
Client Services	2,500	66,134
Civil Legal Advocacy	6,000	7,000
Immigrant - Fee Relief	4,319	4,319
Immigrant Support	12,668	12,670
Veterans Assistance	-	30,000
Right to Counsel	11,198	11,198
Fundraising	10,000	-
	<u>\$ 65,339</u>	<u>\$ 160,756</u>



***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Affordable Housing	45,782	6,565
Client Services	77,602	52,560
Civil Legal Advocacy	7,000	6,937
Education	-	10,000
Veterans Assistance	30,000	7,500
Immigrant Support	-	12,384
Fundraising	10,000	-
	<u>\$ 170,384</u>	<u>\$ 95,946</u>

**Note 9. Significant Estimates and Concentrations**

***Revenues***

The Organization is dependent primarily on the City and State of New York for revenues and receivables.

***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 10. Related-Party Transactions**

One of the board members of the Organization provides consulting services to the Organization, the term of which began on June 1, 2024, and expires May 31, 2025. For the year ended June 30, 2024, the Organization accrued \$36,000 in consulting expenses on the contract. This arrangement was reviewed and approved by the board.

**Note 11. Collective Bargaining Agreement**

Approximately 76% of the Organization's employees are covered by collective bargaining agreements. The agreement with the Association of Legal Aid Attorneys – UAW Local 2325 is effective for the period July 1, 2023 to June 30, 2026.

## **Note 12. 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, 2024 and 2023, comprise the following:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Financial assets		
Cash	\$ 3,417,576	\$ 2,632,073
Accounts receivable	<u>11,333,008</u>	<u>16,966,454</u>
Total financial assets	14,750,584	19,598,527
Donor-imposed restrictions		
Funds with donor restrictions	<u>(65,339)</u>	<u>(160,756)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 14,685,245</u></u>	<u><u>\$ 19,437,771</u></u>

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 13. Subsequent Events**

Subsequent events have been evaluated through February 3, 2025, which is the date the financial statements were available to be issued.