

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**

**Consolidated Financial Statements and
Supplemental Information
For the Year Ended June 30, 2022
(With Summarized Financial Information for 2021)
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
For the Year Ended June 30, 2022
(With Summarized Financial Information for 2021)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NAACP Legal Defense and Educational Fund, Inc.
and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NAACP Legal Defense and Educational Fund, Inc. and Affiliate (LDF), which comprise the consolidated statements of financial position as of June 30, 2022, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of LDF as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 Consolidated Financial Statements section of our report. We are required to be independent of LDF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the LDF's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 LDF's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LDF's 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



MITCHELL TITUS

Report on Summarized Comparative Information

We have previously audited LDF's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mitchell Titus, LLP

February 14, 2023

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 64,102,172	\$ 137,235,656
Accounts receivable	212,539	203,034
Contributions and court fees receivable, net	35,178,230	22,307,908
Amounts held in escrow	3,423	3,423
Investments	252,343,809	170,965,581
Right-of-use asset	4,990,050	5,543,587
Other assets	1,124,718	1,574,016
Property and equipment, net	13,054,847	13,530,949
Assets held in trust by others	1,563,425	1,995,904
Total assets	<u><u>\$ 372,573,213</u></u>	<u><u>\$ 353,360,058</u></u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 6,123,663	\$ 5,807,897
Lease liability	4,990,050	5,543,587
Court awards and fees pending distribution	3,423	3,423
Total liabilities	<u>11,117,136</u>	<u>11,354,907</u>
<i>Net assets</i>		
<i>Without donor restrictions</i>		
Available for operations	200,809,077	184,418,535
Board designated	71,427,600	54,665,101
Invested in property and equipment	13,054,847	13,530,949
Total without donor restrictions	<u>285,291,524</u>	<u>252,614,585</u>
Net assets with donor restrictions	<u>76,164,553</u>	<u>89,390,566</u>
Total net assets	<u>361,456,077</u>	<u>342,005,151</u>
Total liabilities and net assets	<u><u>\$ 372,573,213</u></u>	<u><u>\$ 353,360,058</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidated Statement of Activities

For the Year Ended June 30, 2022

(With Summarized Financial Information for 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
REVENUE, GAINS, RECLASSIFICATIONS AND OTHER SUPPORT				
Contributions	\$ 50,400,499	\$ 32,497,456	\$ 82,897,955	\$ 164,981,530
Third-party donor collection funds	2,517,934	9,666	2,527,600	12,822,510
Bequests	1,927,230	171,765	2,098,995	560,506
Special events, net of direct benefits to donor of \$777,351 and \$0, respectively	2,461,831	-	2,461,831	-
Court costs and attorney fees awarded	372,160	-	372,160	1,066,591
Other income	-	-	-	8,455
Investment income, net of fees of \$676,886 and \$326,095, respectively	-	1,824,037	1,824,037	1,252,004
Net appreciation (depreciation) on investments and on assets held in trust by others	(462,116)	(21,147,935)	(21,610,051)	8,651,825
Net assets released from restrictions	26,581,002	(26,581,002)	-	-
Total revenue, gains, reclassifications, and other support	<u>83,798,540</u>	<u>(13,226,013)</u>	<u>70,572,527</u>	<u>189,343,421</u>
EXPENSES				
<i>Program services</i>				
Legal programs	22,643,711	-	22,643,711	22,008,721
Thurgood Marshall Institute	10,190,396	-	10,190,396	12,179,893
Herbert Lehman Education	2,270,505	-	2,270,505	1,066,173
Earl Warren Legal Training	132,718	-	132,718	57,344
Total program services	<u>35,237,330</u>	<u>-</u>	<u>35,237,330</u>	<u>35,312,131</u>
<i>Supporting services</i>				
Fundraising	11,064,582	-	11,064,582	11,114,067
Management and general	4,819,689	-	4,819,689	4,326,333
Total supporting services	<u>15,884,271</u>	<u>-</u>	<u>15,884,271</u>	<u>15,440,400</u>
Total expenses	<u>51,121,601</u>	<u>-</u>	<u>51,121,601</u>	<u>50,752,531</u>
Changes in net assets	32,676,939	(13,226,013)	19,450,926	138,590,890
Net assets, beginning of year	<u>252,614,585</u>	<u>89,390,566</u>	<u>342,005,151</u>	<u>203,414,261</u>
Net assets, end of year	<u><u>\$ 285,291,524</u></u>	<u><u>\$ 76,164,553</u></u>	<u><u>\$ 361,456,077</u></u>	<u><u>\$ 342,005,151</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Summarized Financial Information for 2021)

Description	Program Services				Subtotal	Supporting Services			2022 Total Expenses	2021 Total Expenses
	Legal Programs	Thurgood Marshall Institute	Herbert Lehman Education	Earl Warren Legal Training		Fundraising	Management and General	Subtotal		
<i>Personnel costs</i>										
Payroll	\$ 9,686,219	\$ 3,353,864	\$ 395,743	\$ 17,725	\$ 13,453,551	\$ 2,794,963	\$ 2,502,208	\$ 5,297,171	\$ 18,750,722	\$ 13,978,236
Benefits	2,561,062	881,130	88,338	3,998	3,534,528	734,295	657,382	1,391,677	4,926,205	5,172,618
Temporary help	38,308	42,803	-	-	81,111	161,992	11,574	173,566	254,677	469,908
Total personnel costs	12,285,589	4,277,797	484,081	21,723	17,069,190	3,691,250	3,171,164	6,862,414	23,931,604	19,620,762
<i>Legal programs</i>										
Court costs	133,020	238	-	-	133,258	-	-	-	133,258	97,648
Expert witness	1,061,445	-	-	-	1,061,445	-	-	-	1,061,445	278,664
Lobbying professionals	-	61,477	-	-	61,477	-	-	-	61,477	-
Special research	331,741	81,263	-	-	413,004	-	-	-	413,004	355,198
Total legal programs	1,526,206	142,978	-	-	1,669,184	-	-	-	1,669,184	731,510
<i>Other programs</i>										
Scholarships/grants	623,117	-	1,478,795	105,000	2,206,912	-	-	-	2,206,912	855,545
<i>Other expenses</i>										
Photos/ads/press releases	1,264	155,917	21,250	-	178,431	1,240,969	30	1,240,999	1,419,430	4,105,646
List rental	-	-	-	-	-	78,030	-	78,030	78,030	24,162
Mail handling	-	-	-	-	-	145,710	-	145,710	145,710	120,811
Fundraising professionals	-	-	-	-	-	703,303	-	703,303	703,303	3,237,758
Insurance	108,365	27,598	2,670	300	138,933	41,203	32,188	73,391	212,324	167,295
Telephone	158,756	187,996	4,317	600	351,669	57,532	47,089	104,621	456,290	282,767
Occupancy expense	657,518	175,570	16,355	2,400	851,843	332,785	197,196	529,981	1,381,824	1,053,279
Bank and service charges	118	27	-	-	145	423,561	70,673	494,234	494,379	908,104
Storage	4,068	84,733	99	-	88,900	1,525	1,191	2,716	91,616	287,217
Mailing and messenger services	39,401	625,527	1,246	-	666,174	291,207	7,153	298,360	964,534	1,461,929
Office supplies	65,948	58,401	722	300	125,371	24,555	22,429	46,984	172,355	967,643
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Library	8,538	16,313	-	-	24,851	544	104	648	25,499	32,538
Equipment repairs and maintenance	187,193	146,756	4,032	-	337,981	62,236	50,933	113,169	451,150	306,955
Utilities	27,374	7,050	686	300	35,410	10,586	8,269	18,855	54,265	71,892
Catering costs	69,378	85,813	982	-	156,173	95,606	6,823	102,429	258,602	10,286
Interest expense	-	-	-	-	-	-	-	-	-	241,110
Dues and membership fees	47,112	24,752	562	-	72,426	8,494	3,946	12,440	84,866	49,035
Miscellaneous	90,878	40,197	8,643	-	139,718	47,268	66,953	114,221	253,939	150,583
Conferences and meetings	42,585	18,523	1,012	-	62,120	445	945	1,390	63,510	7,767
Meetings and travel	361,619	351,482	11,996	-	725,097	70,331	79,056	149,387	874,484	179,756
Computer services	62,306	16,048	-	300	78,654	27,867	58,500	86,367	165,021	49,169
Accounting professionals	-	-	-	-	-	-	131,069	131,069	131,069	145,300
Legal professionals	3,086,125	36,759	3,576	-	3,126,460	55,197	43,120	98,317	3,224,777	8,661,834
IT professionals	324,578	208,438	15,617	-	548,633	125,290	102,076	227,366	775,999	665,887
Professional fees	2,187,210	2,730,245	200,028	1,495	5,118,978	3,066,718	551,942	3,618,660	8,737,638	4,667,778
Printing/photocopying	88,143	633,979	460	300	722,882	255,905	5,550	261,455	984,337	687,644
Amortization	275,187	56,343	5,481	-	337,011	84,604	66,093	150,697	487,708	422,516
Depreciation	315,135	81,154	7,895	-	404,184	121,861	95,197	217,058	621,242	578,053
Total other expenses	8,208,799	5,769,621	307,629	5,995	14,292,044	7,373,332	1,648,525	9,021,857	23,313,901	29,544,714
Total expenses	\$ 22,643,711	\$ 10,190,396	\$ 2,270,505	\$ 132,718	\$ 35,237,330	\$ 11,064,582	\$ 4,819,689	\$ 15,884,271	\$ 51,121,601	\$ 50,752,531

The accompanying notes are an integral part of these consolidated financial statements.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 19,450,926	\$ 138,590,890
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	1,108,950	1,000,569
Donated securities	(3,040,237)	(1,806,249)
Net depreciation (appreciation) on investments and assets held in trust by others	21,610,051	(8,651,825)
Increase in accounts receivable	(9,505)	(114,108)
(Increase) decrease in contributions and court fees receivable	(12,870,322)	40,848,663
Decrease (increase) in other assets	449,298	(1,379,384)
Increase in accrued pension liability and prepaid pension assets	-	56,483
Increase in accounts payable and accrued expenses	315,766	1,115,965
Net cash provided by operating activities	<u>27,014,927</u>	<u>169,661,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	228,035,016	95,950,702
Purchases of investments	(327,550,580)	(224,829,230)
Purchases of property and equipment	(632,847)	(854,901)
Net cash used in investing activities	<u>(100,148,411)</u>	<u>(129,733,429)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage payable	-	(2,260,372)
Net cash used in financing activities	<u>-</u>	<u>(2,260,372)</u>
Net (decrease) increase in cash and cash equivalents	(73,133,484)	37,667,203
Cash and cash equivalents, beginning of year	137,235,656	99,568,453
Cash and cash equivalents, end of year	<u>\$ 64,102,172</u>	<u>\$ 137,235,656</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ -</u>	<u>\$ 93,114</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 1 ORGANIZATION AND OPERATIONS

The accompanying consolidated financial statements include the financial position, changes in net assets, functional expenses and cash flows of the NAACP Legal Defense and Educational Fund, Inc. (LDF) and Earl Warren Legal Training Program, Inc. (EWLTP), which are collectively referred to as the "Fund." The individual organizations have interrelated Boards of Directors and share common facilities and personnel. All material intercompany transactions and balances were eliminated in consolidation.

LDF's primary purpose is supporting litigation in the areas of poverty and justice, education, voting rights, fair employment, capital punishment, and administration of criminal justice, and to increase educational opportunities through scholarships. Primary revenue sources include fundraising from the general public, corporations, and foundations; reimbursement of court costs and fees; and investment income. LDF maintains offices in New York and Washington, DC. EWLTP provides scholarship aid to minority law students. Its goal is to increase African-American representation in the legal profession and meet the dire need of clients for skilled and knowledgeable attorneys.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the Fund is required to report information regarding its consolidated financial position and activities according to two net asset classes: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Credit Risk

The Fund invests in a professionally managed portfolio that contains mutual funds, money market funds and other investment funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Net Asset Classification

The Fund's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Fund's net assets and the changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may be met by actions of the Fund pursuant to those stipulations and/or the passage of time.

Net assets subject to donor-imposed stipulations also include amounts that allow for the principal to be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or a part of the income earned on related investments for general or specific purposes.

Cash Equivalents

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions, Third-Party Donors and Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenue in the period the pledge is made at fair value. Third-party donor collection funds are amounts collected by third-party donor aggregators (Aggregators) on behalf of the Fund. The collections are remitted net of service and merchant fees. The Fund records the donation gross along with the associated expenses. The associated expenses are included in bank and service charges in the statement of functional expenses. The Fund has established a policy for contributions received from Aggregators. Contributions received more than 90 days after the year end are recorded in the subsequent year.

The fair value of long-term contributions receivable is measured based on the present value of future cash flows, with consideration given to the donor's credit risk and expectation about possible variations in the amount and/or timing of the cash flows and other specific factors.

Contribution revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expiration of restrictions on net assets (*i.e.*, the donor-stipulated purpose was fulfilled and/or the stipulated time period elapsed) are reported as net assets released from donor restrictions. Donor-restricted contributions received during the year whose restrictions have been met within the year are recorded as contributions without donor restrictions.

Unexpended contributions with purpose restrictions are credited with investment income.

Legacies and bequests are recognized when an unassailable right to the gift has been established and the proceeds are measurable.

Allowance for Doubtful Accounts

The Fund provides an allowance for doubtful accounts for losses that may result from the inability of the debtor or donor to make payment on amounts owed or pledged to the Fund. Such allowance is based on several factors, including, but not limited to, the age of the receivables and the Fund's historical collection experience. Receivables that are determined to be uncollectible are charged against the allowance. As of June 30, 2022 and 2021, no allowance for doubtful accounts was deemed required.

In-kind Contributions

In-kind contributions represent legal services reflected in the consolidated financial statements at their estimated fair values at the date of donation; see Note 12.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments are carried at their fair value based on quoted market prices. For purposes of determining the gain or loss on a sale, the cost of securities sold is based on the average cost of each security held at the date of sale. Purchases and sales of securities are recorded on a trade-date basis. See Note 6 for further discussion and disclosures related to fair value measurements.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

Level 1: Quoted prices for identical assets or liabilities in an active market that the Fund has the ability to access at the measurement date.

Level 2: Quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The following valuation methodologies were used for assets measured at fair value:

Mutual funds, common stock and exchange-traded funds – Reported at fair value based on quoted market prices representing the interest/shares held.

U.S. Government and agency obligations and corporate bonds – Valued based on quoted market prices on national security exchanges, when available, or by using valuation models that incorporate certain other observable inputs, including recent trading activity for comparable securities and broker quoted prices.

Common collective trust – Determined using the net asset value (NAV) as a practical expedient. The NAV is determined four times a month (valuation dates) based upon the fair value of the underlying assets owned, less liabilities, divided by the number of outstanding units. Redemptions of the common collective trust units are made on the valuation dates. Complete liquidation requires 12 months' notice. The common collective trust had no unfunded commitments at June 30, 2022 and 2021.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

The methods described above may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Fund's gains and losses on investments bought, sold, and held during the year.

Investment Income and Investment Management Fees

Realized and unrealized gains and losses are included in the consolidated statement of activities as increases or decreases in unrestricted net assets, unless donor or relevant laws place temporary or permanent restrictions on these gains and losses. Changes in net unrealized appreciation are calculated based on the change in the difference between the cost and the fair values of investments at June 30 of the current year compared to the cost and the fair values of investments at June 30 of the prior year. Net appreciation in the fair values of investments is reflected in changes to net assets without donor restrictions and net assets with donor restrictions. Investment management fees of \$676,866 and \$326,095 have been incurred for the years ended June 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at date of gift, if donated. Property and equipment additions of \$1,000 or more are capitalized. Depreciation of the condominium interest, furniture, equipment, and website is provided on a straight-line basis over their estimated useful lives of 40 years for the condominium interest, 20 years for building improvements, five to 15 years for the furniture and equipment, and three years for website.

Depreciation is recorded on a half-year convention in both the year of asset acquisition and disposal. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the term of the lease, including extensions expected to be exercised.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment *(continued)*

The Fund evaluates long-lived assets, which are held for use, for impairment whenever events or circumstances indicate that impairment may exist. An impairment loss is recorded if the net carrying value of the asset exceeds the undiscounted future net operating cash flows attributable to the asset. The impairment loss recognized equals the difference between cost and cash flows. Management determined that no long-lived assets were impaired at June 30, 2022 and 2021.

Assets Held in Trust by Others

Perpetual trusts held by outside trustees, through whom the Fund has an irrevocable right to receive the income earned on trust assets, are recognized in the accompanying consolidated statements of financial position as assets held in trust by others at the fair value of the Fund's share of the trust assets.

Distributions from the trusts are recorded as investment income and changes to the perpetual trusts' values are reported in net assets with donor restrictions.

Split-Interest Agreements

The Fund's interest in charitable remainder annuity trusts held by outside trustees is recognized in the accompanying consolidated statements of financial position as assets held in trust by others at the estimated fair value of amounts to be received upon termination of the trusts of \$55,684 and \$66,492 at June 30, 2022 and 2021, respectively. Annual adjustments to fair value amounts are recognized as net appreciation in net assets with donor restrictions on the consolidated statement of activities.

Court Costs and Attorney Fees Awarded

In connection with certain cases decided or settled in LDF's favor, attorney fees may be awarded. Revenue is recognized when notification is received from the courts.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Defined Contribution Plan

The Fund has a voluntary defined contribution plan where employees make tax-deferred contributions through payroll deductions. Starting on January 1, 2017, the Fund began matching up to 4% of qualified employees' salary and making quarterly contributions to this plan. As of January 1, 2019, the matching contribution was increased to 6%. Additional discretionary contributions of \$250 per quarter are made to all eligible employees. All contributions are subject to certain limitations of the Internal Revenue Code (the Code).

Income Tax Status

LDF and EWLTP both qualify as charitable organizations, as defined by Internal Revenue Code (IRC) Section 501(c)(3) and, accordingly, are exempt from Federal income tax under IRC Section 501(a). Additionally, since both entities are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the IRC. LDF and EWLTP are also exempt from state and local income taxes.

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Fund. The consolidated financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Fund and has concluded that as of June 30, 2022, there were no uncertain tax positions taken or expected to be taken. The Fund has recognized no interest or penalties related to uncertain tax positions. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2019.

New York State Nonprofit Revitalization Act

On December 18, 2013, the Governor of New York State signed into law the New York Non-Profit Revitalization Act of 2013 (the Act), of which most provisions took effect July 1, 2014. The primary reforms of the Act stipulate that non-profit corporations and charitable trusts with 20 or more employees and annual revenue of over \$1 million must adopt whistle-blower and conflict of interest policies; ensure the Board chair has not been an employee of the non-profit during the past three years; specify steps to review and declare any related-party transactions; designate an Audit Committee to provide oversight of the audit function; and allow communications during meetings by using modern technology. The Fund has evaluated the effect of the Act and updated its conflict of interest and whistle-blower policies to comply with the requirements of the Act.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Summarized Financial Information

The amounts shown for the year ended June 30, 2021, in the accompanying consolidated financial statements were derived from the June 30, 2021 audited consolidated financial statements and are summarized totals that were included to provide a basis for comparison with 2022. Accordingly, the 2021 totals are not intended to present all information necessary for a fair presentation in conformity with U.S. GAAP.

Functional Allocation of Expenses

The costs associated with providing the Fund's programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities, which includes all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time or function.

Recent Accounting Pronouncement Adopted in the Current Year

In 2022, the Fund adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance that will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The adoption of the ASU did not have a material impact on its consolidated financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The Fund maintains its cash and cash equivalents in a number of bank accounts held by certain financial institutions. The cash in these accounts occasionally exceeds the amount insured by the Federal Deposit Insurance Corporation, subjecting the Fund to concentration of risk. However, the Fund regularly monitors this risk.

At June 30, 2022 and 2021, approximately 72% and 97% of the Fund's cash and cash equivalents were held by two financial institutions, respectively.

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NOTE 4 CONTRIBUTIONS AND COURT FEES RECEIVABLE, NET

Contributions and court fees receivable, net as of June 30, 2022 and 2021, were due as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 25,460,144	\$ 13,538,561
One to five years	<u>10,681,890</u>	<u>9,169,349</u>
	36,142,034	22,707,910
Fair value adjustment	<u>(963,804)</u>	<u>(400,002)</u>
	<u>\$ 35,178,230</u>	<u>\$ 22,307,908</u>

Receivables that are due in more than one year are recorded at their fair value, using discount rates ranging from 3.0% to 4.5% per year for the years ended June 30, 2022 and 2021, respectively.

NOTE 5 INVESTMENTS

Investments as of June 30, 2022 and 2021, were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Interest-bearing cash and cash equivalents	\$ 38,892,367	\$ 38,892,367	\$ 27,974,773	\$ 27,974,773
U.S. Government and agency obligations	16,234,234	16,976,611	13,452,549	13,465,784
Common stocks	32,936,397	37,230,716	21,523,847	19,273,388
Corporate bonds	65,462,543	70,466,202	22,278,286	22,309,443
Exchange-traded funds	<u>98,818,268</u>	<u>104,446,829</u>	<u>85,736,126</u>	<u>80,582,053</u>
	<u>\$ 252,343,809</u>	<u>\$ 268,012,724</u>	<u>\$ 170,965,581</u>	<u>\$ 163,605,441</u>

**NAACP LEGAL DEFENSE AND
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Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 6 FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy described in Note 2, the Fund's investments at fair value:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
As of June 30, 2022				
Interest-bearing cash and cash equivalents	<u>\$ 69,051,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments				
Interest-bearing cash and cash equivalents	38,892,367	38,892,367	-	-
U.S. Government and agency obligations	16,234,234	-	16,234,234	-
Common stocks	32,936,397	32,936,397	-	-
Corporate bonds	65,462,543	-	65,462,543	-
<i>Exchange-traded funds</i>				
Equities	-	-	-	-
Fixed income	25,984,324	25,984,324	-	-
Real estate	39,954,612	39,954,612	-	-
Managed futures	-	-	-	-
Commodities	<u>32,879,332</u>	<u>32,879,332</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$252,343,809</u>	<u>\$170,647,032</u>	<u>\$ 81,696,777</u>	<u>\$ -</u>
Assets held in trust by others, valued using NAV	<u>\$ 1,563,425</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
As of June 30, 2021				
Interest-bearing cash and cash equivalents	<u>\$109,119,748</u>	<u>\$109,119,748</u>	<u>\$ -</u>	<u>\$ -</u>
Investments				
Interest-bearing cash and cash equivalents	\$ 27,974,773	\$ 27,974,773	\$ -	\$ -
U.S. Government and agency obligations	13,452,549	-	13,452,549	-
Common stocks	21,523,847	21,571,010	-	-
Corporate bonds	22,278,286	-	22,278,286	-
Mutual funds – equities				-
<i>Exchange-traded funds</i>				
Equities	64,130,472	64,130,472	-	-
Fixed income	8,871,086	8,871,086	-	-
Real estate	-	-	-	-
Managed futures	12,734,568	12,734,568	-	-
Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$170,965,581</u>	<u>\$135,281,909</u>	<u>\$ 35,730,835</u>	<u>\$ -</u>
Assets held in trust by others, valued using NAV	<u>\$ 1,995,904</u>			

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Notes to Consolidated Financial Statements
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NOTE 7 PROPERTY AND EQUIPMENT, NET

The composition of property and equipment at June 30, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Condominium	\$ 16,178,142	\$ 16,114,558
Furniture and equipment	1,218,739	1,215,089
Computer equipment	1,296,420	1,178,564
Telephone	-	12,150
Website	535,791	346,842
Leasehold improvements	<u>695,047</u>	<u>695,047</u>
	19,924,139	19,562,250
<i>Less: Accumulated depreciation and amortization</i>	<u>(6,869,292)</u>	<u>(6,031,301)</u>
	<u>\$ 13,054,847</u>	<u>\$ 13,530,949</u>

Depreciation and amortization expenses were \$1,108,950 and \$1,000,569 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 DONOR-RESTRICTED NET ASSETS

Net assets with donor restrictions (including perpetual trusts held by outside trustees) totaled \$75,929,842 and \$89,390,566 at June 30, 2022 and 2021, respectively. These are categorized as follows based on the purposes for which the related investment income may be used pursuant to the respective donors' stipulations:

	<u>2022</u>	<u>2021</u>
<i>Purpose-restricted funds</i>		
Funds to be maintained in perpetuity	\$ 14,403,267	\$ 14,403,267
Funds for attorney salaries	7,286,787	6,180,356
Funds for legal programs	2,124,160	2,124,160
Funds for scholarships	455,425	455,425
<i>Perpetual trusts</i>		
Scholarships	1,507,741	1,929,412
Other	<u>55,684</u>	<u>66,492</u>
Subtotal	<u>25,833,064</u>	<u>25,159,112</u>
<i>Unappropriated income (loss) of endowment assets</i>		
General fund	(7,790,620)	11,158,372
Herbert Lehman Education	795,914	912,331
Earl Warren Legal Training	<u>194,648</u>	<u>303,864</u>
Subtotal	<u>(6,800,058)</u>	<u>12,374,567</u>

**NAACP LEGAL DEFENSE AND
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Notes to Consolidated Financial Statements
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NOTE 8 DONOR-RESTRICTED NET ASSETS *(continued)*

	<u>2022</u>	<u>2021</u>
<i>Restricted as to the passage of time or purpose</i>		
Restricted for periods after June 30, 2022	\$ 19,456,052	\$ 16,497,105
Herbert Lehman Education	11,180,098	4,900,855
Earl Warren Legal Training	186,673	155,192
Thurgood Marshall Institute	3,282,159	1,730,128
Legal programs	<u>23,026,565</u>	<u>28,573,607</u>
Subtotal	<u>57,131,547</u>	<u>51,856,887</u>
Total	<u>\$ 76,164,553</u>	<u>\$ 89,390,566</u>

Net assets were released from donor restrictions in 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2022</u>	<u>2021</u>
<i>Net assets released from restrictions. due to appropriation of income from endowment assets</i>		
General and legal programs	\$ 2,121	\$ -
Herbert Lehman scholarship program	117,966	108,029
Earl Warren scholarship program	<u>27,700</u>	<u>27,700</u>
	147,787	135,729
<i>Purpose restrictions net</i>		
Legal programs	14,752,641	16,018,941
Thurgood Marshall Institute	917,917	1,528,833
Herbert Lehman Education (including fundraising expenses of \$64,206 and \$68,251, respectively)	2,216,888	1,039,438
Earl Warren Legal Training (including fundraising expenses of \$15,307 and \$8,293, respectively)	120,362	37,938
Passage of time	<u>8,425,407</u>	<u>9,188,000</u>
	<u>\$ 26,581,002</u>	<u>\$ 27,948,879</u>

NOTE 9 LEASE

LDF entered a new 10-year lease of office space in Washington, DC under a non-cancelable operating lease on July 23, 2018. The term of the lease is from October 1, 2018 to October 30, 2028.

**NAACP LEGAL DEFENSE AND
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Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 9 LEASE (continued)

The Fund determine if an arrangement is a lease at inception of the contract. The right-of-use assets represent the Fund's right to use the underlying assets for the lease term and the lease liabilities represent the Fund's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Fund use its estimated incremental borrowing rate, which is derived from information available at the lease commencement date.

No significant assumptions and judgement were made in applying the requirement of ASU 2016-02.

Future minimum lease payments as of June 30, 2022, are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 799,156
2024	831,122
2025	864,367
2026	898,942
2027	934,900
Thereafter	<u>1,300,602</u>
	5,629,089
Less: Present value discount	<u>(639,039)</u>
	<u>\$ 4,990,050</u>

Total operating lease expense, including escalations, for the years ended June 30, 2022 and 2021 was \$891,821 and \$761,385, respectively.

NOTE 10 DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS

Defined Contribution Plan

The Fund sponsors a defined contribution plan that has a year end of December 31. The year ended December 31, 2021 was the second audited period for the plan. Net assets available for benefits of the plan were \$11,871,979 as of December 31, 2021. The Fund's contributions to the plan amounted to \$1,034,123 for the year ended December 31, 2021.

Defined Benefit Plan

The Fund terminated its sponsored defined benefit plan (the Plan) as of April 1, 2021. The Plan's assets were insufficient to fully provide for the accumulated benefits under the Plan. The Fund contributed \$1,204,635 to the Plan to meet its obligations of \$11,871,979.

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NOTE 10 DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS
(continued)

Defined Benefit Plan *(continued)*

In March 2021, the Plan satisfied all its obligations to participants through the purchase of irrevocable commitments with Principal Life Insurance Company and/or by paying funds to the participants or their qualified retirement accounts. Final annuity benefit payments were paid on April 1, 2021.

The following tables provide information about the Plan as of and for the year ended June 30, 2021:

	<u>2021</u>
<i>Reconciliation of projected benefit obligations</i>	
Obligations, beginning of year	\$ 8,667,672
Service cost	-
Interest cost	-
Actuarial gain	846,387
Purchase of annuity contracts	(9,215,904)
Benefit payments	<u>(298,155)</u>
Obligations, end of year	<u>\$ -</u>
<i>Reconciliation of fair value of Plan assets</i>	
Fair value of Plan assets, beginning of year	\$ 8,724,155
Actual return on Plan assets	(414,731)
Employer contributions	1,204,635
Purchase of annuity contracts	(9,215,904)
Benefit payments	<u>(298,155)</u>
Fair value of Plan assets, end of year	<u>\$ -</u>
<i>Funded status</i>	
Funded status, end of year	<u>\$ -</u>

At June 30, 2021, the funded status of the Plan is reported in the consolidated statements of financial position as follows:

	<u>2021</u>
Prepaid pension assets	<u>\$ -</u>

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NOTE 10 DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS
(continued)

Defined Benefit Plan *(continued)*

Plan Assets (continued)

The target allocation of Plan assets and actual allocation at the end of 2021, by asset category based on asset fair values, are as follows:

<u>Asset Category</u>	<u>2021 Actual Allocation</u>
Cash and cash equivalents	2.5%
Fixed income	97.5%
	<u>100.0%</u>

**NOTE 11 AMOUNTS HELD IN ESCROW/COURT AWARDS AND FEES PENDING
DISTRIBUTION**

Upon the successful completion of cases, the court may make awards to members of the class action litigation or to participating attorneys. As of June 30, 2022 and 2021, LDF held in escrow \$3,423 and \$3,423, respectively, for members of the class and participating attorneys. The escrow amounts are invested in interest-bearing cash accounts.

NOTE 12 IN-KIND CONTRIBUTIONS

In fiscal years ended June 30, 2022 and 2021, the Fund received the following in-kind contributions, which were recognized as contributions in the accompanying consolidated statement of activities at fair value on the date of receipt:

	<u>2022</u>	<u>2021</u>
Communications services	\$ 9,240	\$ 27,000
Legal services	<u>2,934,129</u>	<u>8,507,383</u>
Total in-kind contributions	<u>\$ 2,943,369</u>	<u>\$ 8,534,383</u>

NOTE 13 ENDOWMENTS

LDF's endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions and Board-designated funds are classified and reported as without donor restrictions.

**NAACP LEGAL DEFENSE AND
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NOTE 13 **ENDOWMENTS** *(continued)*

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which superseded the New York Uniform Management of Institutional Funds Act. The Fund's Board of Directors follows the requirements of NYPMIFA, which allows an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent, but subject, however, to the intent of the donor expressed in the gift instrument. NYPMIFA provides that unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until so appropriated for expenditure by the institution. For purposes of consolidated financial statement presentation, LDF classifies net assets with donor restrictions as: (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified as gifts to the permanent endowment are characterized as net assets with donor restriction. It should be noted, however, that under NYPMIFA, the Fund is entitled to appropriate for expenditure endowment funds, even if they are characterized as donor restricted, and are a part of the endowment's corpus, except where inconsistent with the intent of the donor expressed in the gift instrument.

In accordance with state law, the Fund considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Fund and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the Fund;
7. The investment policies of the Fund; and
8. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Fund.

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Notes to Consolidated Financial Statements
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NOTE 13 ENDOWMENTS *(continued)*

Interpretation of Relevant Law *(continued)*

The changes in Board-designated and endowment net assets for the years ended June 30, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year ended June 30, 2022</u>			
Endowment net assets, beginning of year	\$ 54,665,101	\$ 35,537,775	\$ 90,202,876
<i>Investment return</i>			
Investment income	284,384	1,422,936	1,707,320
Net realized/unrealized appreciation (depreciation) in value of investments	(449,115)	(20,527,980)	(20,977,095)
Contributions	16,927,230	1,097,771	18,025,001
Appropriation for expenditures	60,900	(60,900)	-
Expenditures	(60,900)	-	(60,900)
Endowment net assets, end of year	<u>\$ 71,427,600</u>	<u>\$ 17,469,602</u>	<u>\$ 88,897,202</u>
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year ended June 30, 2021</u>			
Endowment net assets, beginning of year	\$ 6,481,243	\$ 25,425,989	\$ 31,907,232
<i>Investment return</i>			
Investment income	105,827	931,940	1,037,767
Net realized/unrealized appreciation (depreciation) in value of investments	(79,258)	7,100,735	7,021,477
Contributions	48,157,289	2,140,011	50,297,300
Appropriation for expenditures	60,900	(60,900)	-
Expenditures	(60,900)	-	(60,900)
Endowment net assets, end of year	<u>\$ 54,665,101</u>	<u>\$ 35,537,775</u>	<u>\$ 90,202,876</u>

**NAACP LEGAL DEFENSE AND
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NOTE 13 ENDOWMENTS *(continued)*

Interpretation of Relevant Law *(continued)*

At June 30, 2022 and 2021, the endowment fund composition by net asset classification is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 17,469,602	\$ 17,469,602
Board-designated	<u>71,427,600</u>	<u>-</u>	<u>71,427,600</u>
Endowment net assets, June 30, 2022	<u>\$ 71,427,600</u>	<u>\$ 17,469,602</u>	<u>\$ 88,897,202</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 35,537,775	\$ 35,537,775
Board-designated	<u>54,665,101</u>	<u>-</u>	<u>54,665,101</u>
Endowment net assets, June 30, 2021	<u>\$ 54,665,101</u>	<u>\$ 35,537,775</u>	<u>\$ 90,202,876</u>

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of June 30, 2022 and 2021.

Return Objectives and Risk Parameters

LDF adopted investment and spending policies for endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that LDF must hold in perpetuity or for donor-specified periods or purposes and related unappropriated investment income. Endowment assets also include Board-designated funds that LDF chooses to retain for future unspecified needs. Under this policy, as approved by the Board of Directors' Investment Committee, endowment assets are invested with the intent of preserving the assets of donor-restricted funds that LDF must hold in perpetuity, while assuming a low level of investment risk. Over time, LDF expected its endowment funds to provide an average rate of return of approximately 6.5% for both fiscal years 2022 and 2021. Actual returns in any given year may vary from this amount.

**NAACP LEGAL DEFENSE AND
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Notes to Consolidated Financial Statements
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NOTE 13 **ENDOWMENTS** *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments are to be considered a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. Therefore, a periodic review of total rate-of-return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. LDF's spending policy allows up to 4% of the fair value of the portfolio if funds are available, subject to donor-stipulated restrictions.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 14 **MORTGAGE PAYABLE**

On May 10, 2018, LDF entered into a new mortgage loan agreement with a face value of \$2,448,713. LDF has satisfied its obligation regarding this mortgage loan agreement which was repaid during fiscal year 2021.

NOTE 15 **RELATED PARTIES**

During fiscal years 2022 and 2021, members of LDF's Board of Directors donated approximately \$2,172,812 and \$1,381,247, respectively, to LDF. LDF has accounted for their contributions within its consolidated financial statements. LDF's policy is to require directors to disclose affiliations and review and authorize such transactions, as appropriate.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 16 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise of the following:

	<u>2023</u>
Cash and cash equivalents	\$ 64,102,172
Accounts receivable	212,539
Investments	252,343,809
Contributions and court fees receivable	<u>25,260,206</u>
Total financial assets available within one year	341,918,726
<u>Less:</u>	
Board-designated funds	(71,768,098)
Amounts unavailable for general expenditures. within one year, due to restrictions by donors with purpose and/or time restrictions	<u>(66,211,756)</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 203,938,872</u></u>

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Net contributions and court fees receivable due in more than one year, as noted in Note 4, with donor restrictions are not reflected in financial assets available to management for general expenditure above.

Net contributions and court fees receivable of \$9,718,086 due more than one year from the 2022 consolidated financial statement date, plus the amount of \$66,211,756 equals the total net assets with donor restrictions of \$76,164,533 per the consolidated statement of financial position as of June 30, 2022.

The Board-designated reserve fund of \$71,427,600 could be made available, if necessary, but LDF does not intend to spend from the reserve fund, and the amount has been deducted to reflect financial assets available to management for general expenditure.

As part of LDF's liquidity management plan, cash not used is invested to offset banking fees and cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds.

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021

NOTE 17 SUBSEQUENT EVENTS

The Fund evaluated events subsequent to June 30, 2022, through February 14, 2023, the date the consolidated financial statements were available to be issued and determined that there were no subsequent events that required recognition or disclosure, except for that noted below.

On November 17, 2022, the Fund entered into a 7.5 year, non-cancellable lease agreement for its Atlanta office. The lease period is from May 1, 2023 to October 31, 2030.

CONSOLIDATING SUPPLEMENTAL INFORMATION

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidating Statement of Financial Position

June 30, 2022

(With Summarized Financial Information for 2021)

	NAACP Legal Defense and Educational Fund, Inc.	Earl Warren Legal Training Program, Inc.	2022 Total	2021 Total
ASSETS				
Cash and cash equivalents	\$ 63,934,825	\$ 167,347	\$ 64,102,172	\$ 137,235,656
Accounts receivable	212,349	190	212,539	203,034
Contributions and court fees receivable	35,178,230	-	35,178,230	22,307,908
Amounts held in escrow	3,423	-	3,423	3,423
Investments	251,666,032	677,777	252,343,809	170,965,581
Right-of-use asset	4,990,050	-	4,990,050	5,543,587
Other assets	1,124,718	-	1,124,718	1,574,016
Intercompany receivable (payable)	8,568	(8,568)	-	-
Property and equipment, net	13,054,847	-	13,054,847	13,530,949
Assets held in trust by others	1,563,425	-	1,563,425	1,995,904
Total assets	\$ 371,736,467	\$ 836,746	\$ 372,573,213	\$ 353,360,058
LIABILITIES AND NET ASSETS				
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ 6,123,663	\$ -	\$ 6,123,663	\$ 5,807,897
Lease liability	4,990,050	-	4,990,050	5,543,587
Court awards and fees pending distribution	3,423	-	3,423	3,423
Total liabilities	11,117,136	-	11,117,136	11,354,907
<i>Net assets</i>				
<i>Without donor restrictions</i>				
Available for operations	200,809,077	-	200,809,077	184,418,535
Board designated	71,427,600	-	71,427,600	54,665,101
Invested in property and equipment	13,054,847	-	13,054,847	13,530,949
Total without donor restrictions	285,291,524	-	285,291,524	252,614,585
With donor restrictions	75,327,807	836,746	76,164,553	89,390,566
Total net assets	360,619,331	836,746	361,456,077	342,005,151
Total liabilities and net assets	\$ 371,736,467	\$ 836,746	\$ 372,573,213	\$ 353,360,058

**NAACP LEGAL DEFENSE AND
EDUCATIONAL FUND, INC. AND AFFILIATE**

Consolidating Statement of Activities

For the Year Ended June 30, 2022

(With Summarized Financial Information for 2021)

	NAACP Legal Defense and Educational Fund, Inc.	Earl Warren Legal Training Program, Inc.	2022 Total	2021 Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 82,746,973	\$ 150,982	\$ 82,897,955	\$ 164,981,530
Third-party donor collection funds	2,526,740	860	2,527,600	12,822,510
Bequests	2,098,995	-	2,098,995	560,506
Special events, net of direct benefits to donor cost of \$777,351 and \$0, respectively	2,461,831	-	2,461,831	-
Court costs and attorney fees awarded	372,160	-	372,160	1,066,591
Other income	-	-	-	8,455
Investment income, net of fees of \$676,886 and \$326,095, respectively	1,816,586	7,451	1,824,037	1,252,004
Net appreciation (depreciation) on investments and assets held in trust by others	<u>(21,521,084)</u>	<u>(88,967)</u>	<u>(21,610,051)</u>	<u>8,651,825</u>
Total revenue, gains, and other support	<u>70,502,201</u>	<u>70,326</u>	<u>70,572,527</u>	<u>189,343,421</u>
EXPENSES				
<i>Program services</i>				
Legal programs	22,643,711	-	22,643,711	22,008,721
Thurgood Marshall Institute	10,190,396	-	10,190,396	12,179,893
Herbert Lehman Education	2,270,505	-	2,270,505	1,066,173
Earl Warren Legal Training	<u>-</u>	<u>132,718</u>	<u>132,718</u>	<u>57,344</u>
Total program services	<u>35,104,612</u>	<u>132,718</u>	<u>35,237,330</u>	<u>35,312,131</u>
<i>Supporting services</i>				
Fundraising	11,049,275	15,307	11,064,582	11,114,067
Management and general	<u>4,819,652</u>	<u>37</u>	<u>4,819,689</u>	<u>4,326,333</u>
Total supporting services	<u>15,868,927</u>	<u>15,344</u>	<u>15,884,271</u>	<u>15,440,400</u>
Total expenses	<u>50,973,539</u>	<u>148,062</u>	<u>51,121,601</u>	<u>50,752,531</u>
Changes in net assets before other credit	19,528,662	(77,736)	19,450,926	138,590,890
Net assets, beginning of year	<u>341,090,669</u>	<u>914,482</u>	<u>342,005,151</u>	<u>203,414,261</u>
Net assets, end of year	<u><u>\$ 360,619,331</u></u>	<u><u>\$ 836,746</u></u>	<u><u>\$ 361,456,077</u></u>	<u><u>\$ 342,005,151</u></u>

