

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

**Consolidated Financial Statements and  
Supplemental Information  
For the Year Ended June 30, 2023  
(With Summarized Financial Information for 2022)  
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, 2023  
(With Summarized Financial Information for 2022)

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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, 2023, 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, 2023, 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 audit 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 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



**MITCHELL TITUS**

***Report on Summarized Comparative Information***

We have previously audited LDF's June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 15, 2024

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidated Statements of Financial Position  
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,244,169	\$ 64,102,172
Accounts receivable	543,111	212,539
Contributions and court fees receivable, net	33,831,760	35,178,230
Amounts held in escrow	3,423	3,423
Investments	299,902,311	252,343,809
Right-of-use assets	3,610,271	4,990,050
Deferred compensation plan	65,500	-
Other assets	1,343,376	1,124,718
Property and equipment, net	12,954,783	13,054,847
Assets held in trust by others	1,677,218	1,563,425
<b>Total assets</b>	<u>\$ 394,175,922</u>	<u>\$ 372,573,213</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 4,716,331	\$ 6,123,663
Lease liability	4,379,485	4,990,050
Deferred compensation plan	65,500	-
Court awards and fees pending distribution	3,423	3,423
<b>Total liabilities</b>	<u>9,164,739</u>	<u>11,117,136</u>
<i>Net assets</i>		
<i>Without donor restrictions</i>		
Available for operations	208,678,483	200,809,077
Board designated	77,006,559	71,427,600
Invested in property and equipment	12,954,783	13,054,847
<b>Total without donor restrictions</b>	<u>298,639,825</u>	<u>285,291,524</u>
<b>Net assets with donor restrictions</b>	<u>86,371,358</u>	<u>76,164,553</u>
<b>Total net assets</b>	<u>385,011,183</u>	<u>361,456,077</u>
<b>Total liabilities and net assets</b>	<u>\$ 394,175,922</u>	<u>\$ 372,573,213</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, 2023  
(With Summarized Financial Information for 2022)

	<b>2023</b>			<b>2022</b> <b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>REVENUE, GAINS, RECLASSIFICATIONS AND OTHER SUPPORT</b>				
Contributions	\$ 29,554,023	\$ 16,674,775	\$ 46,228,798	\$ 79,954,586
Contribution of non-financial assets	6,224,407	-	6,224,407	2,943,369
Third-party donor collection funds	1,390,183	6,732	1,396,915	2,527,600
Bequests	3,249,005	27,011	3,276,016	2,098,995
Special events, net of direct benefits to donors of \$374,190 and \$777,351, respectively	3,737,559	-	3,737,559	2,461,831
Court costs and attorney fees awarded	773,490	-	773,490	372,160
Other income	-	-	-	-
Investment income, net of fees of \$890,682 and \$676,886, respectively	741,317	6,599,498	7,340,815	1,824,037
Net appreciation (depreciation) on investments and on assets held in trust by others	933,339	10,868,379	11,801,718	(21,610,051)
Net assets released from restrictions	23,969,590	(23,969,590)	-	-
Total revenue, gains, reclassifications, and other support	<u>70,572,913</u>	<u>10,206,805</u>	<u>80,779,718</u>	<u>70,572,527</u>
<b>EXPENSES</b>				
<i>Program services</i>				
Legal programs	30,125,748	-	30,125,748	22,643,711
Thurgood Marshall Institute	8,384,688	-	8,384,688	10,190,396
Herbert Lehman Education	3,844,164	-	3,844,164	2,270,505
Earl Warren Legal Training	164,116	-	164,116	132,718
Total program services	<u>42,518,716</u>	<u>-</u>	<u>42,518,716</u>	<u>35,237,330</u>
<i>Supporting services</i>				
Fundraising	9,701,407	-	9,701,407	11,064,582
Management and general	5,004,489	-	5,004,489	4,819,689
Total supporting services	<u>14,705,896</u>	<u>-</u>	<u>14,705,896</u>	<u>15,884,271</u>
Total expenses	<u>57,224,612</u>	<u>-</u>	<u>57,224,612</u>	<u>51,121,601</u>
Changes in net assets	13,348,301	10,206,805	23,555,106	19,450,926
Net assets, beginning of year	<u>285,291,524</u>	<u>76,164,553</u>	<u>361,456,077</u>	<u>342,005,151</u>
<b>Net assets, end of year</b>	<u><u>\$ 298,639,825</u></u>	<u><u>\$ 86,371,358</u></u>	<u><u>\$ 385,011,183</u></u>	<u><u>\$ 361,456,077</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, 2023  
(With Summarized Financial Information for 2022)

Description	Program Services				Subtotal	Supporting Services			2023 Total Expenses	2022 Total Expenses
	Legal Programs	Thurgood Marshall Institute	Herbert Lehman Education	Earl Warren Legal Training		Fundraising	Management and General	Subtotal		
<i>Personnel costs</i>										
Payroll	\$ 12,712,116	\$ 2,649,720	\$ 496,453	\$ 18,130	\$ 15,876,419	\$ 2,851,087	\$ 2,841,612	\$ 5,692,699	\$ 21,569,118	\$ 18,750,722
Benefits	3,336,918	808,350	141,747	4,330	4,291,345	751,162	795,540	1,546,702	5,838,047	4,926,205
Temporary help	79,131	34,653	-	-	113,784	215,371	249,441	464,812	578,596	254,677
Total personnel costs	16,128,165	3,492,723	638,200	22,460	20,281,548	3,817,620	3,886,593	7,704,213	27,985,761	23,931,604
<i>Legal programs</i>										
Court costs	242,078	-	-	-	242,078	-	-	-	242,078	133,258
Expert witness	453,512	-	-	-	453,512	-	-	-	453,512	1,061,445
Lobbying professionals	4,661	-	-	-	4,661	500	-	500	5,161	61,477
Special research	501,558	12,723	-	-	514,281	1,541	470	2,011	516,292	413,004
Total legal programs	1,201,809	12,723	-	-	1,214,532	2,041	470	2,511	1,217,043	1,669,184
<i>Other programs</i>										
Scholarships/grants	783,600	-	2,797,427	135,000	3,716,027	-	-	-	3,716,027	2,206,912
<i>Other expenses</i>										
Photos/ads/press releases	434	108,659	23,200	-	132,293	504,431	1,913	506,344	638,637	1,419,430
List rental	-	-	-	-	-	66,244	-	66,244	66,244	78,030
Mail handling	47	-	-	-	47	125,250	7,683	132,933	132,980	145,710
Fundraising professionals	-	-	-	-	-	709,780	-	709,780	709,780	703,303
Insurance	135,727	28,700	5,295	300	170,022	30,461	31,488	61,949	231,971	212,324
Telephone	137,586	20,660	3,488	600	162,334	20,040	20,800	40,840	203,174	456,290
Occupancy expense	815,502	216,690	31,171	2,400	1,065,763	187,432	185,349	372,781	1,438,544	1,381,824
Bank and service charges	818	9	-	-	827	364,888	6,757	371,645	372,472	494,379
Storage	2,773	125,905	108	-	128,786	622	644	1,266	130,052	91,616
Mailing and messenger services	89,427	-	1,742	-	91,169	122,149	8,281	130,430	221,599	964,534
Office supplies	92,330	66,651	2,697	956	162,634	24,852	18,321	43,173	205,807	172,355
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Library	12,979	16,800	-	-	29,779	12,663	1,155	13,818	43,597	25,499
Equipment repairs and maintenance	432,623	145,108	16,327	-	594,058	233,149	88,933	322,082	916,140	451,150
Utilities	43,552	9,078	1,701	300	54,631	9,768	10,114	19,882	74,513	54,265
Catering costs	221,925	196,984	32,871	-	451,780	27,359	18,968	46,327	498,107	258,602
Dues and membership fees	40,432	17,209	1,248	-	58,889	5,365	3,512	8,877	67,766	84,866
Miscellaneous	58,577	153,312	19,668	-	231,557	46,016	10,032	56,048	287,605	253,939
Conferences and meetings	78,418	19,609	3,655	-	101,682	4,798	2,167	6,965	108,647	63,510
Meetings and travel	1,052,055	680,251	129,933	-	1,862,239	100,182	25,583	125,765	1,988,004	874,484
Computer services	23,556	4,910	6,545	300	35,311	7,545	40,682	48,227	83,538	165,021
Accounting professionals	-	-	-	-	-	-	102,320	102,320	102,320	131,069
Legal professionals	6,230,905	25,232	4,513	-	6,260,650	25,919	26,836	52,755	6,313,405	3,224,777
IT professionals	397,599	423,706	14,718	-	836,023	84,821	92,009	176,830	1,012,853	775,999
Professional fees	1,294,209	2,424,953	80,521	1,500	3,801,183	2,755,396	243,698	2,999,094	6,800,277	8,737,638
Printing/photocopying	143,503	47,407	1,517	300	192,727	254,005	5,956	259,961	452,688	984,337
Amortization	318,766	66,444	12,449	-	397,659	71,493	74,024	145,517	543,176	487,708
Depreciation	388,431	80,965	15,170	-	484,566	87,118	90,201	177,319	661,885	621,242
Total other expenses	12,012,174	4,879,242	408,537	6,656	17,306,609	5,881,746	1,117,426	6,999,172	24,305,781	23,313,901
<b>Total expenses</b>	<b>\$ 30,125,748</b>	<b>\$ 8,384,688</b>	<b>\$ 3,844,164</b>	<b>\$ 164,116</b>	<b>\$ 42,518,716</b>	<b>\$ 9,701,407</b>	<b>\$ 5,004,489</b>	<b>\$ 14,705,896</b>	<b>\$ 57,224,612</b>	<b>\$ 51,121,601</b>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 23,555,106	\$ 19,450,926
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	1,205,061	1,108,950
Donated securities	(1,809,685)	(3,040,237)
Net (appreciation) depreciation on investments and assets held in trust by others	(11,801,718)	21,610,051
Increase in accounts receivable	(330,572)	(9,505)
Decrease (increase) in contributions and court fees receivable	1,346,470	(12,870,322)
(Increase) decrease in other assets	550,556	449,298
(Decrease) increase in accounts payable and accrued expenses and other liabilities	<u>(1,407,332)</u>	<u>315,766</u>
Net cash provided by operating activities	<u>11,307,886</u>	<u>27,014,927</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	259,003,533	228,035,016
Purchases of investments	(293,064,425)	(327,550,580)
Purchases of property and equipment	<u>(1,104,997)</u>	<u>(632,847)</u>
Net cash used in investing activities	<u>(35,165,889)</u>	<u>(100,148,411)</u>
Net decrease in cash and cash equivalents	(23,858,003)	(73,133,484)
Cash and cash equivalents, beginning of year	<u>64,102,172</u>	<u>137,235,656</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 40,244,169</u>	<u>\$ 64,102,172</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>Cash paid for interest</b>	<u>\$ -</u>	<u>\$ -</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 Years Ended June 30, 2023 and 2022

**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 revenue 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 Years Ended June 30, 2023 and 2022

**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.

Contributions, Third-Party Donors and Revenue Recognition

Contributions of financial and nonfinancial assets, 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 consolidated 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.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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

Contributions, Third-Party Donors and Revenue Recognition *(continued)*

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, 2023 and 2022, no allowance for doubtful accounts was deemed required.

Contribution Nonfinancial Assets

Contribution of nonfinancial assets represent legal services reflected in the consolidated financial statements at their estimated fair values at the date of donation; see Note 12.

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.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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

Investments *(continued)*

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, 2023 and 2022.

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

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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

Investments *(continued)*

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 \$750,434 and \$676,866 have been incurred for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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 \$57,791 and \$55,684 at June 30, 2023 and 2022, 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.

Defined Contribution Plan

The Fund has a voluntary defined contribution plan where employees make tax-deferred contributions through payroll deductions. 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).

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

Income Tax Status

LDF and EWLTP both qualify as charitable organizations, as defined by Code Section 501(c)(3) and, accordingly, are exempt from Federal income tax under Code Section 501(a). Additionally, since both entities are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the Code. 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, 2023, 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 2020.

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.

Summarized Financial Information

The amounts shown for the year ended June 30, 2022, in the accompanying consolidated financial statements were derived from the June 30, 2022, audited consolidated financial statements and are summarized totals that were included to provide a basis for comparison with 2023. Accordingly, the 2022 totals are not intended to present all information necessary for a fair presentation in conformity with U.S. GAAP.



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

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 Pronouncements Adopted in the Current Year

During 2022, LDF adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of this amendment is to clarify the presentation and disclosure of contributed nonfinancial assets and to provide a clear understanding of what type of nonfinancial assets were received and how they are used and recognized. Adoption of this statement impacted the presentation and disclosure for LDF of contributions received for the years ended June 30, 2023 and 2022.

Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities.

Key provisions of the ASU are (1) an allowance for credit losses on financial instruments measured at amortized cost (such as loans, receivables, and held-to-maturity debt securities) will be measured as the difference between amortized cost and the amount of amortized cost that the entity expects to collect over the contractual life. The new guidance therefore eliminates all thresholds (such as probable or amortized cost being less than fair value) to recognize credit losses. (2) the existing specific guidance on recognizing interest income and credit losses for loans and debt securities acquired with deteriorated credit quality in ASC 310-30, *Receivables: Loans and Debt Securities Acquired with Deteriorated Credit Quality*, is removed. Upon acquisition, the allowance for credit losses on such assets will be recognized by increasing the amortized cost balance by a corresponding amount rather than through a charge to the income statement. However, the subsequent measurement and recognition of interest income and allowance for credit losses will be similar to other financial assets that are carried at amortized cost, (3) the credit loss recognition guidance for available-for-sale debt securities is amended and will require that credit losses on such debt securities should be recognized as an allowance for credit losses rather than a direct write-down of amortized cost balance, (4) the guidance on measurement of credit losses on beneficial interests in securitized financial assets is amended to align with the new credit loss measurement guidance.

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

Accounting Pronouncements Not Yet Adopted *(continued)*

The ASU is effective for public business entities that meet the definition of an SEC filer, ASU No. 2016-13 for fiscal years beginning after December 15, 2019. For all other entities, ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022. Hence, this ASU will be applicable for LDF FY 2024.

**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, 2023 and 2022, approximately 69% and 72%, respectively, of the Fund's cash and cash equivalents were held by two financial institutions.

**NOTE 4      CONTRIBUTIONS AND COURT FEES RECEIVABLE, NET**

Contributions and court fees receivable, net as of June 30, 2023 and 2022, were due as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 16,672,029	\$ 25,460,144
One to five years	<u>18,231,381</u>	<u>10,681,890</u>
	34,903,410	36,142,034
Fair value adjustment	<u>(1,071,650)</u>	<u>(963,804)</u>
	<u>\$ 33,831,760</u>	<u>\$ 35,178,230</u>

Receivables that are due in more than one year are recorded at their fair value, using discount rates ranging from 3.0% to 4.75% per year for the years ended June 30, 2023 and 2022, respectively.

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**NOTE 5 INVESTMENTS**

Investments as of June 30, 2023 and 2022, were as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
Interest-bearing cash and cash equivalents	\$ 40,153,696	\$ 40,153,696	\$ 38,892,367	\$ 38,892,367
U.S. Government and agency obligations	117,083,237	113,480,125	16,234,234	16,976,611
Common stocks	58,215,488	53,032,273	32,936,397	37,230,716
Corporate bonds	3,539,048	5,335,746	65,462,543	70,466,202
Exchange-traded funds	<u>81,910,842</u>	<u>86,809,072</u>	<u>98,818,268</u>	<u>104,446,829</u>
	<u>\$ 299,902,311</u>	<u>\$ 298,810,912</u>	<u>\$ 252,343,809</u>	<u>\$ 268,012,725</u>

**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:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b><u>As of June 30, 2023</u></b>				
<b>Interest-bearing cash and cash equivalents</b>	<u>\$ 40,244,169</u>	<u>\$ 40,244,169</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments</b>				
Interest-bearing cash and cash equivalents	\$ 40,153,696	\$ 40,153,696	\$ -	\$ -
U.S. Government and agency obligations	117,083,237	-	117,083,237	-
Common stocks	58,215,488	58,215,488	-	-
Corporate bonds	2,539,048	-	2,539,048	-
<b>Exchange-traded funds</b>				
Equities	-	-	-	-
Fixed income	40,097,256	40,097,256	-	-
Real estate	17,806,817	17,806,817	-	-
Managed futures	-	-	-	-
Commodities	<u>24,006,769</u>	<u>24,006,769</u>	<u>-</u>	<u>-</u>
<b>Total investments</b>	<u>\$299,902,311</u>	<u>\$180,280,026</u>	<u>\$119,622,285</u>	<u>\$ -</u>
<b>Assets held in trust by others, valued using NAV</b>	<u>\$ 1,677,218</u>			

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**NOTE 6 FAIR VALUE MEASUREMENTS** *(continued)*

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>As of June 30, 2022</b>				
<b>Interest-bearing cash and cash equivalents</b>	<u>\$ 64,102,172</u>	<u>\$ 64,102,172</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments</b>				
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	-
Mutual funds – equities	-	-	-	-
<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	32,879,332	32,879,332	-	-
<b>Total investments</b>	<u>\$252,343,809</u>	<u>\$170,647,032</u>	<u>\$ 81,696,777</u>	<u>\$ -</u>
<b>Assets held in trust by others, valued using NAV</b>	<u>\$ 1,563,425</u>			

**NOTE 7 PROPERTY AND EQUIPMENT, NET**

The composition of property and equipment at June 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Condominium	\$ 16,195,725	\$ 16,178,142
Furniture and equipment	1,393,272	1,218,739
Computer equipment	1,463,599	1,296,420
Website	552,917	535,791
Leasehold improvements	1,189,460	695,047
	<u>20,794,973</u>	<u>19,924,139</u>
Less: Accumulated depreciation and amortization	<u>(7,840,190)</u>	<u>(6,869,292)</u>
	<u>\$ 12,954,783</u>	<u>\$ 13,054,847</u>

Depreciation and amortization expenses were \$1,205,061 and \$1,108,950 for the years ended June 30, 2023 and 2022, respectively.

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**NOTE 8 DONOR-RESTRICTED NET ASSETS**

Net assets with donor restrictions (including perpetual trusts held by outside trustees) totaled \$86,371,358 and \$76,164,553 at June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
<i>Purpose-restricted funds</i>		
Funds to be maintained in perpetuity	\$ 14,403,267	\$ 14,403,267
Funds for attorney salaries	7,302,761	7,286,787
Funds for legal programs	2,124,160	2,124,160
Funds for scholarships	455,425	455,425
<i>Perpetual trusts</i>		
Scholarships	1,619,427	1,507,741
Other	<u>57,589</u>	<u>55,684</u>
Subtotal	<u>25,962,629</u>	<u>25,833,064</u>
<i>Unappropriated income (loss) of endowment assets</i>		
General fund	7,834,596	(7,790,620)
Herbert Lehman Education	827,122	795,914
Earl Warren Legal Training	<u>220,669</u>	<u>194,648</u>
Subtotal	<u>8,882,387</u>	<u>(6,800,058)</u>
<i>Restricted as to the passage of time or purpose</i>		
Restricted for periods after June 30, 2023	21,239,691	19,456,052
Herbert Lehman Education	10,262,665	11,180,098
Earl Warren Legal Training	107,509	186,673
Thurgood Marshall Institute	2,349,705	3,282,159
Legal programs	<u>17,316,772</u>	<u>23,026,565</u>
Subtotal	<u>51,566,342</u>	<u>57,131,547</u>
<b>Total</b>	<u>\$ 86,371,358</u>	<u>\$ 76,164,553</u>

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**NOTE 8 DONOR-RESTRICTED NET ASSETS** *(continued)*

Net assets were released from donor restrictions in 2023 and 2022 by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2023</u>	<u>2022</u>
<i>Net assets released from restrictions due to appropriation of income from endowment assets</i>		
General and legal programs	\$ 1,753	\$ 2,121
Herbert Lehman scholarship program	86,815	117,966
Earl Warren scholarship program	<u>27,700</u>	<u>27,700</u>
	116,268	147,787
<i>Purpose restrictions net</i>		
Legal programs	13,485,536	14,752,641
Thurgood Marshall Institute	1,408,250	917,917
Herbert Lehman Education (including fundraising expenses of \$66,142 and \$68,251, respectively)	3,823,484	2,216,888
Earl Warren Legal Training (including fundraising expenses of \$1,568 and \$8,293, respectively)	137,985	120,362
Passage of time	<u>4,998,067</u>	<u>8,425,407</u>
	<u>\$ 23,969,590</u>	<u>\$ 26,581,002</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.

The Fund determines 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 uses 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.

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**NOTE 9 LEASE** *(continued)*

Total lease expense for all operating leases was \$793,867 and \$763,429 for the years ended June 30, 2023 and, 2022, respectively, and is included in the accompanying consolidated statement of functional expenses. Included in this expense is fixed rental payments. The lease does not include as variable rental payments.

The components of lease expense were as follows:

	<u>2023</u>	<u>2022</u>
Fixed lease expense	\$ 763,786	\$ 763,786
Variable lease expense	<u>-</u>	<u>-</u>
<b>Total lease expense</b>	<u>\$ 763,786</u>	<u>\$ 763,786</u>

Future minimum lease payments as of June 30, 2023, are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 831,122
2025	864,367
2026	898,942
2027	934,899
Thereafter	<u>1,300,603</u>
	4,829,933
Less: Present value discount	<u>(450,448)</u>
	<u>\$ 4,379,485</u>

Other information related to leases after the adoption date was as follows:

Cash paid for rent was \$801,557 and \$770,820 for the years ended June 30, 2023 and 2022, respectively.

Weighted-average remaining lease term for operating lease is 64 months.

Weighted-average discount rate for operating lease is 4.50%.

No sublease income/expense is recorded as of June 30, 2023 and 2022.

The lease agreement does not provide the Fund with an extension term.

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. Through an agreement with the landlord, the lease did not commence until September 2023 and as such is not included in the amounts noted above.

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**NOTE 10      DEFINED CONTRIBUTION BENEFIT PLAN**

Defined Contribution Plan

The Fund sponsors a defined contribution plan that has a year end of December 31. Net assets available for benefits of the plan were \$12,070,985 as of December 31, 2022. The Fund's contributions to the plan amounted to \$1,172,619 for the year ended December 31, 2022.

**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, 2023 and 2022, 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      CONTRIBUTION NONFINANCIAL ASSETS**

In fiscal years ended June 30, 2023 and 2022, the Fund received the following contribution of nonfinancial assets, which were recognized in the accompanying consolidated statement of activities at fair value on the date of receipt, which was determined by the contributor which was used for the representation of client cases:

	<u>2023</u>	<u>2022</u>
Communications services	\$ -	\$ 9,240
Legal services	<u>6,224,407</u>	<u>2,934,129</u>
<b>Total contributions nonfinancial assets</b>	<u>\$ 6,224,407</u>	<u>\$ 2,943,369</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.



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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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**NOTE 13      ENDOWMENTS** *(continued)*

Interpretation of Relevant Law *(continued)*

The changes in Board-designated and endowment net assets for the years ended June 30, 2023 and 2022, are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b><u>Year ended June 30, 2023</u></b>			
Endowment net assets, beginning of year	\$ 71,427,600	\$ 17,469,602	\$ 88,897,202
<i>Investment return</i>			
Investment income	1,394,729	5,111,747	6,506,476
Net realized/unrealized appreciation (depreciation) in value of investments	938,286	10,630,352	11,568,638
Contributions	3,245,944	17,197	3,263,141
Appropriation for expenditures	60,900	(60,900)	-
Expenditures	(60,900)	-	(60,900)
<b>Endowment net assets, end of year</b>	<b><u>\$ 77,006,559</u></b>	<b><u>\$ 33,167,998</u></b>	<b><u>\$ 110,174,557</u></b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b><u>Year ended June 30, 2022</u></b>			
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)
<b>Endowment net assets, end of year</b>	<b><u>\$ 71,427,600</u></b>	<b><u>\$ 17,469,602</u></b>	<b><u>\$ 88,897,202</u></b>

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**NOTE 13      ENDOWMENTS** *(continued)*

Interpretation of Relevant Law *(continued)*

At June 30, 2023 and 2022, the endowment fund composition by net asset classification is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted funds	\$ -	\$ 33,167,998	\$ 33,167,998
Board-designated	<u>77,006,559</u>	<u>-</u>	<u>77,006,559</u>
<b>Endowment net assets, June 30, 2023</b>	<b><u>\$ 77,006,559</u></b>	<b><u>\$ 33,167,998</u></b>	<b><u>\$ 110,174,557</u></b>

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

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, 2023 and 2022.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

**NOTE 13**      **ENDOWMENTS** *(continued)*

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 2023 and 2022. Actual returns in any given year may vary from this amount. The actual rate of return for fiscal year 2023 and 2022 was 8.43% and 10.34%, respectively.

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**      **RELATED PARTIES**

During fiscal years 2023 and 2022, members of LDF's Board of Directors donated approximately \$1,975,193 and \$2,172,812, 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 Years Ended June 30, 2023 and 2022

**NOTE 15 DEFERRED COMPENSATION PLAN**

LDF offers its Senior Leadership Team members, with a minimum of five years of service, a deferred compensation plan in accordance with Code Section 457. The plan permits LDF to make contributions on behalf of eligible members, and for employees to defer a portion of their salaries until future years. Participation in the plan is optional, and participants elect how their salary deferrals, and the employer contributions are invested. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. These assets and liabilities of the 457 Plan are part of LDF's general operating assets and liabilities and until the deferrals are disbursed in accordance with the plan.

**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>2024</u>
Cash and cash equivalents	\$ 40,244,169
Accounts receivable	543,111
Investments	299,902,311
Contributions and court fees receivable	<u>16,672,029</u>
Total financial assets available within one year	357,361,620
<u>Less:</u>	
Board-designated funds	(77,006,559)
Amounts unavailable for general expenditures. within one year, due to restrictions by donors with purpose and/or time restrictions	<u>(59,676,358)</u>
<b>Total financial assets available to management for general expenditures within one year</b>	<b><u>\$ 220,678,703</u></b>

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.

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

**NOTE 16 LIQUIDITY AND AVAILABILITY OF RESOURCES** *(continued)*

Net contributions and court fees receivable of \$17,159,731 due more than one year from the 2023 consolidated financial statement date, plus the amount of \$69,211,627 equals the total net assets with donor restrictions of \$86,371,358 per the consolidated statement of financial position as of June 30, 2023.

The Board-designated reserve fund of \$77,006,559 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.

**NOTE 17 SUBSEQUENT EVENTS**

The Fund evaluated events subsequent to June 30, 2023, through February 15, 2024, 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.

**CONSOLIDATING SUPPLEMENTAL INFORMATION**

**NAACP LEGAL DEFENSE AND  
EDUCATIONAL FUND, INC. AND AFFILIATE**  
Consolidating Statement of Financial Position  
As of June 30, 2023  
(With Summarized Financial Information for 2022)

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>2023 Total</b>	<b>2022 Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,129,777	\$ 114,392	\$ 40,244,169	\$ 64,102,172
Accounts receivable	542,903	208	543,111	212,539
Contributions and court fees receivable	33,831,749	11	33,831,760	35,178,230
Amounts held in escrow	3,423	-	3,423	3,423
Investments	299,225,778	676,533	299,902,311	252,343,809
Right-of-use assets	3,610,271	-	3,610,271	4,990,050
Deferred compensation plan	65,500	-	65,500	-
Other assets	1,343,376	-	1,343,376	1,124,718
Intercompany receivable (payable)	7,541	(7,541)	-	-
Property and equipment, net	12,954,783	-	12,954,783	13,054,847
Assets held in trust by others	1,677,218	-	1,677,218	1,563,425
<b>Total assets</b>	<b>\$ 393,392,319</b>	<b>\$ 783,603</b>	<b>\$ 394,175,922</b>	<b>\$ 372,573,213</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ 4,716,331	\$ -	\$ 4,716,331	\$ 6,123,663
Lease liability	4,379,485	-	4,379,485	4,990,050
Deferred compensation plan	65,500	-	65,500	-
Court awards and fees pending distribution	3,423	-	3,423	3,423
<b>Total liabilities</b>	<b>9,164,739</b>	<b>-</b>	<b>9,164,739</b>	<b>11,117,136</b>
<i>Net assets</i>				
<i>Without donor restrictions</i>				
Available for operations	208,678,483	-	208,678,483	200,809,077
Board designated	77,006,559	-	77,006,559	71,427,600
Invested in property and equipment	12,954,783	-	12,954,783	13,054,847
<b>Total without donor restrictions</b>	<b>298,639,825</b>	<b>-</b>	<b>298,639,825</b>	<b>285,291,524</b>
With donor restrictions	85,587,755	783,603	86,371,358	76,164,553
<b>Total net assets</b>	<b>384,227,580</b>	<b>783,603</b>	<b>385,011,183</b>	<b>361,456,077</b>
<b>Total liabilities and net assets</b>	<b>\$ 393,392,319</b>	<b>\$ 783,603</b>	<b>\$ 394,175,922</b>	<b>\$ 372,573,213</b>



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

Consolidating Statement of Activities

For the Year Ended June 30, 2023

(With Summarized Financial Information for 2022)

	<b>NAACP Legal Defense and Educational Fund, Inc.</b>	<b>Earl Warren Legal Training Program, Inc.</b>	<b>2023 Total</b>	<b>2022 Total</b>
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 46,170,027	\$ 58,771	\$ 46,228,798	\$ 79,954,586
Contribution of non-financial assets	6,224,407	-	6,224,407	2,943,369
Third-party donor collection funds	1,396,865	50	1,396,915	2,527,600
Bequests	3,276,016	-	3,276,016	2,098,995
Special events, net of direct benefits to donor cost of \$374,190 and \$777,351, respectively	3,737,559	-	3,737,559	2,461,831
Court costs and attorney fees awarded	773,490	-	773,490	372,160
Other income	-	-	-	-
Investment income, net of fees of \$890,682 and \$676,886, respectively	7,321,013	19,802	7,340,815	1,824,037
Net appreciation (depreciation) on investments and assets held in trust by others	11,767,800	33,918	11,801,718	(21,610,051)
Total revenue, gains, and other support	<u>80,667,177</u>	<u>112,541</u>	<u>80,779,718</u>	<u>70,572,527</u>
<b>EXPENSES</b>				
<i>Program services</i>				
Legal programs	30,125,748	-	30,125,748	22,643,711
Thurgood Marshall Institute	8,384,688	-	8,384,688	10,190,396
Herbert Lehman Education	3,844,164	-	3,844,164	2,270,505
Earl Warren Legal Training	-	164,116	164,116	132,718
Total program services	<u>42,354,600</u>	<u>164,116</u>	<u>42,518,716</u>	<u>35,237,330</u>
<i>Supporting services</i>				
Fundraising	9,699,839	1,568	9,701,407	11,064,582
Management and general	5,004,489	-	5,004,489	4,819,689
Total supporting services	<u>14,704,328</u>	<u>1,568</u>	<u>14,705,896</u>	<u>15,884,271</u>
Total expenses	<u>57,058,928</u>	<u>165,684</u>	<u>57,224,612</u>	<u>51,121,601</u>
Changes in net assets before other credit	23,608,249	(53,143)	23,555,106	19,450,926
Net assets, beginning of year	<u>360,619,331</u>	<u>836,746</u>	<u>361,456,077</u>	<u>342,005,151</u>
<b>Net assets, end of year</b>	<u><u>\$ 384,227,580</u></u>	<u><u>\$ 783,603</u></u>	<u><u>\$ 385,011,183</u></u>	<u><u>\$ 361,456,077</u></u>

