



National Employment Law Project, Inc.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

Years Ended December 31, 2021 and 2020

NATIONAL EMPLOYMENT LAW PROJECT, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
National Employment Law Project, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Employment Law Project, Inc. ("NELP"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NELP as of December 31, 2021, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NELP 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.

Report on 2020 Financial Statements

The financial statements of NELP as of and for the year ended December 31, 2020 were audited by another auditor whose report dated September 2, 2021 expressed an unmodified opinion on these statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NELP'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NELP'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.

Mayer Hoffman McCann CPAs

New York, NY
September 14, 2022



**NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (Note 10A)	\$ 16,864,701	\$ 11,900,102
Investments (Notes 2F, 5 and 11)	8,825,834	6,820,754
Accounts receivable, net	438,371	199,540
Pledges and grants receivable, net (Notes 2H, 4 and 10B)	10,425,776	2,678,315
Other receivables, net	100,619	16,912
Prepaid expenses and other assets	209,717	178,964
Security deposits	23,255	24,655
Property and equipment, net (Notes 2E and 6)	<u>57,266</u>	<u>84,710</u>
TOTAL ASSETS	<u>\$ 36,945,539</u>	<u>\$ 21,903,952</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,068,472	\$ 207,513
Accrued vacation	370,548	391,863
Deferred rent (Note 2J)	<u>372,387</u>	<u>334,760</u>
TOTAL LIABILITIES	<u>1,811,407</u>	<u>934,136</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2D)		
Without donor restrictions	9,154,826	7,213,611
With donor restrictions (Note 9)	<u>25,979,306</u>	<u>13,756,205</u>
TOTAL NET ASSETS	<u>35,134,132</u>	<u>20,969,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,945,539</u>	<u>\$ 21,903,952</u>

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

NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
OPERATING SUPPORT AND REVENUE:						
Grants and contributions (Notes 2C, 2H, 2I and 10C)	\$ 957,122	\$ 26,754,875	\$ 27,711,997	\$ 1,151,259	\$ 9,929,080	\$ 11,080,339
Fee for services	364,663	-	364,663	257,325	-	257,325
Rental income (Note 8A)	15,837	-	15,837	33,238	-	33,238
Paycheck Protection Program (Note 8C)	-	-	-	816,636	-	816,636
Other revenue	26,893	-	26,893	32,257	-	32,257
Net assets released from restrictions (Notes 2C, 2D and 9)	<u>14,531,774</u>	<u>(14,531,774)</u>	<u>-</u>	<u>9,410,982</u>	<u>(9,410,982)</u>	<u>-</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>15,896,289</u>	<u>12,223,101</u>	<u>28,119,390</u>	<u>11,701,697</u>	<u>518,098</u>	<u>12,219,795</u>
OPERATING EXPENSES (Note 2L):						
Program Services:						
Educational	12,678,604	-	12,678,604	9,894,307	-	9,894,307
Supporting Services:						
Management and general	1,572,395	-	1,572,395	1,190,966	-	1,190,966
Fundraising	<u>733,275</u>	<u>-</u>	<u>733,275</u>	<u>221,268</u>	<u>-</u>	<u>221,268</u>
TOTAL OPERATING EXPENSES	<u>14,984,274</u>	<u>-</u>	<u>14,984,274</u>	<u>11,306,541</u>	<u>-</u>	<u>11,306,541</u>
CHANGE IN NET ASSETS FROM OPERATIONS	912,015	12,223,101	13,135,116	395,156	518,098	913,254
NONOPERATING ACTIVITY						
Investment activity (Notes 2F, 2M and 5)	<u>1,029,200</u>	<u>-</u>	<u>1,029,200</u>	<u>701,455</u>	<u>-</u>	<u>701,455</u>
CHANGE IN NET ASSETS	1,941,215	12,223,101	14,164,316	1,096,611	518,098	1,614,709
Net assets - beginning of year	<u>7,213,611</u>	<u>13,756,205</u>	<u>20,969,816</u>	<u>6,117,000</u>	<u>13,238,107</u>	<u>19,355,107</u>
NET ASSETS - END OF YEAR	<u>\$ 9,154,826</u>	<u>\$ 25,979,306</u>	<u>\$ 35,134,132</u>	<u>\$ 7,213,611</u>	<u>\$ 13,756,205</u>	<u>\$ 20,969,816</u>

NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	For the Year Ended December 31, 2021					For the Year Ended December 31, 2020				
	Supporting Services				Total 2021	Supporting Services				Total 2020
	Program Services	Management and General	Fundraising	Total Supporting Services		Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 4,081,534	\$ 571,916	\$ 414,827	\$ 986,743	\$ 5,068,277	\$ 3,895,266	\$ 545,459	\$ 110,188	\$ 655,647	\$ 4,550,913
Payroll taxes and employee benefits (Note 7)	1,391,521	229,426	126,889	356,315	1,747,836	1,382,548	161,617	35,866	197,483	1,580,031
Total Salaries and Related Costs	5,473,055	801,342	541,716	1,343,058	6,816,113	5,277,814	707,076	146,054	853,130	6,130,944
Staff development and fees	43,045	22,063	18,550	40,613	83,658	25,314	11,300	523	11,823	37,137
Occupancy and utilities (Notes 2J and 8A)	554,094	92,731	48,864	141,595	695,689	677,067	20,462	2,096	22,558	699,625
Consultant and contracted services	675,167	469,761	85,728	555,489	1,230,656	546,484	352,794	63,424	416,218	962,702
Computers and related expenses	256,525	97,713	23,181	120,894	377,419	234,812	48,712	4,310	53,022	287,834
Travel and NELP meetings	22,254	410	-	410	22,664	18,434	-	2,349	2,349	20,783
Office expenses	46,053	8,121	436	8,557	54,610	31,497	5,349	439	5,788	37,285
Insurance	-	18,705	-	18,705	18,705	15,206	2,694	-	2,694	17,900
Equipment rental and repairs	6,889	12,231	305	12,536	19,425	8,279	6,773	32	6,805	15,084
Telephone	47,368	12,243	2,464	14,707	62,075	62,020	9,767	909	10,676	72,696
Grants and awards (Note 2K)	5,376,626	-	-	-	5,376,626	2,732,961	-	-	-	2,732,961
Library	20,015	350	-	350	20,365	28,975	1,543	260	1,803	30,778
Printing and postage	4,654	1,404	237	1,641	6,295	10,012	-	-	-	10,012
Program and related expenses	129,611	1,759	-	1,759	131,370	182,053	3,000	-	3,000	185,053
Other expenses	14,948	19,204	7,008	26,212	41,160	17,433	19,083	518	19,601	37,034
Depreciation and amortization (Note 6)	8,300	14,358	4,786	19,144	27,444	25,946	2,413	354	2,767	28,713
TOTAL EXPENSES	\$ 12,678,604	\$ 1,572,395	\$ 733,275	\$ 2,305,670	\$ 14,984,274	\$ 9,894,307	\$ 1,190,966	\$ 221,268	\$ 1,412,234	\$ 11,306,541

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

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 14,164,316	\$ 1,614,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(724,599)	(640,014)
Realized (gain) loss on investments	(211,059)	49,879
Depreciation and amortization expense	<u>27,444</u>	<u>28,713</u>
Subtotal	13,256,102	1,053,287
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(238,831)	-
Pledges and grants receivable	(7,747,461)	4,135,883
Other receivables	(83,707)	-
Prepaid expenses and other assets	(30,753)	(59,934)
Security deposits	1,400	5,651
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	860,959	(330,822)
Accrued vacation	(21,315)	82,219
Deferred rent	<u>37,627</u>	<u>41,638</u>
Net Cash Provided by Operating Activities	<u>6,034,021</u>	<u>4,927,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,668,047	1,465,220
Purchase of investments	<u>(2,737,469)</u>	<u>(1,549,294)</u>
Net Cash Used in Investing Activities	<u>(1,069,422)</u>	<u>(84,074)</u>
NET INCREASE IN CASH	4,964,599	4,843,848
Cash - beginning of year	<u>11,900,102</u>	<u>7,056,254</u>
CASH - END OF YEAR	<u>\$ 16,864,701</u>	<u>\$ 11,900,102</u>

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

NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

National Employment Law Project, Inc. (“NELP”) is a tax-exempt corporation (formed in New York) under Section 501(c)(3) of the Internal Revenue Code. NELP strives to ensure that all who work in America, or aspire to do so, will achieve and sustain economic security, opportunity and prosperity through their labor. NELP fights for an economy that works for everyone, especially those who, because of race, color, status, or other discriminatory considerations, are more likely to encounter workplace injustice or unfairness. NELP works to protect and expand workers’ rights and benefits; to strengthen the power of workers to have a meaningful say in the institutions and practices that determine their economic well-being; and to dismantle barriers to opportunity created by pervasive structural biases and deep-seated economic inequities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. NELP’s financial statements have been prepared on the accrual basis of accounting. NELP adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. NELP reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- D. NELP maintains its net assets under the following two classes:
 - Without donor restrictions – represents the portion of net assets of NELP that are not subject to donor-imposed stipulations. Contributions are considered without donor restrictions unless specifically restricted by the donor.
 - With donor restrictions – net assets resulting from contributions and other inflows of assets whose use by NELP is limited by donor-imposed stipulations, including stipulations that either expire by the passage of time or can be fulfilled and removed by actions of NELP or stipulations that they be maintained permanently by NELP. When such stipulations end or are fulfilled, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions.
- E. Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. All other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. NELP capitalizes property and equipment having a cost of \$5,000 or more and a useful life of at least one year.
- F. Included within investments are demand deposits, which are those cash equivalents that are held temporarily by a custodian for investment purposes. All investments are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 11.

NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. NELP records contributed items at their fair value on the date of receipt. NELP also receives contributed services that are an integral part of its operations. Such services are only recorded as contributions in-kind (at their fair value) provided they meet the criteria for recognition. There were no such donated services received for the years ended December 31, 2021 and 2020.
- H. Pledges and grants are recorded as revenue when an unconditional pledge or grant is made. It is NELP's practice to discount pledges and grants receivable due in more than one year to present value unless the amount is immaterial. Historically, NELP has not experienced significant bad debt losses. NELP bases its allowance for doubtful accounts on its historical loss experience, the age of the receivables, and an evaluation of the creditworthiness of the donor. Pledges and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. NELP has determined that no allowance was necessary as of December 31, 2021 and 2020, for pledges and grants receivable.
- I. CyPres awards are made when, in class action cases, there are funds that remain after distributions are made to the class members or beneficiaries. Under the CyPres doctrine, courts can distribute these residual funds to appropriate charitable causes. The CyPres awards that NELP has received have been for labor-related class action cases. These awards are recognized when received and are included as contributions in the accompanying statements of activities. During the years ended December 31, 2021 and 2020, these amounted to \$44,808 and \$100,767, respectively.
- J. As described in Note 8A, NELP has lease agreements for the rental of offices in a number of locations. Under the terms of the various lease agreements, the lessors have provided free rent periods and/or other pricing concessions to NELP. In conformity with U.S. GAAP, NELP has recorded an adjustment to rent expense to reflect the difference between the rent paid and the average rent to be paid over the terms of the leases which amounted to \$37,627 and \$41,638 for the years ended December 31, 2021 and 2020, respectively, and recorded such amounts as an increase in occupancy expenses in the accompanying statements of functional expenses. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- K. NELP approves grant awards subject to periodic reviews of performance. Grants are fully accrued once the recipients accept the grant awards. Unless material, NELP does not discount commitments to be paid later than one year to present value. Grants are subject to forfeiture if award recipients do not comply with award stipulations. During the years ended December 31, 2021 and 2020, there were no forfeitures of grant awards.
- L. The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.
- M. NELP includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment return is recognized as nonoperating activities.
- N. Certain line items in the December 31, 2020 financial statements have been reclassified to conform to the December 31, 2021 presentation.

NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

NELP receives significant contributions restricted by donors, and considers contributions which are restricted for programs and are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. Contributions from donors that are restricted to the awarding of regrants are not considered available to meet cash needs for general expenditures.

NELP maintains reserves in both cash and investment accounts. For operating funds and operating reserves held in cash accounts, NELP manages its liquidity by closely monitoring monthly cash flows and projecting future cash flows. For reserves held in investment accounts, the objective stated in NELP's investment policy is preservation of principal to cover operating expenses, and maximization of earnings in a way that allows for immediate liquidity to meet ongoing operational requirements. Management reviews NELP's total cash position and the performance of the investment portfolio monthly. NELP's investment committee meets with the investment advisor at least bi-annually to review the liquidity needs and the performance of the investments, and to make any necessary adjustments in investment strategy. NELP's Board of Directors has instituted a policy that requires NELP to maintain a reserve equivalent to four months of operating expenses. Throughout 2021 and 2020, NELP's reserve exceeded the requirements set forth in the policy.

As of December 31, 2021 and 2020, financial assets available for general expenditure within twelve months were as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 16,864,701	\$ 11,900,102
Investments	8,825,834	6,820,754
Pledges and grants receivable, net	<u>10,425,776</u>	<u>2,678,315</u>
Total financial assets	36,116,311	21,399,171
Less: collateral or letter of credit for security deposit	(147,937)	(147,937)
Less: net assets with donor restrictions	<u>(25,979,306)</u>	<u>(13,756,205)</u>
	<u>\$ 9,989,068</u>	<u>\$ 7,495,029</u>

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are scheduled to be received as follows as of December 31:

	<u>2021</u>	<u>2020</u>
In less than one year	\$ 6,761,666	\$ 1,715,788
Between one and five years	<u>3,700,000</u>	<u>964,166</u>
	10,461,666	2,679,954
Less: present value discount (.97%-.17%)	<u>(35,890)</u>	<u>(1,639)</u>
	<u>\$ 10,425,776</u>	<u>\$ 2,678,315</u>

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 7,050,225	\$ 156,249
Demand deposits and money market funds	245,882	84,871
Corporate bonds	1,179,766	1,620,465
Common stock	<u>349,961</u>	<u>4,959,169</u>
	<u>\$ 8,825,834</u>	<u>\$ 6,820,754</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 154,164	\$ 149,506
Unrealized gain	724,599	640,014
Realized gain/(loss)	211,059	(49,879)
Investment fees	<u>(60,622)</u>	<u>(38,186)</u>
	<u>\$ 1,029,200</u>	<u>\$ 701,455</u>

Investments are subject to market volatility, which could substantially change the carrying value in the near term.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 213,510	\$ 213,510	3 years
Furniture and fixtures	45,274	45,274	6 years
Leasehold improvements	<u>50,278</u>	<u>50,278</u>	9-10 years
Total cost	309,062	309,062	
Less: accumulated depreciation and amortization	<u>(251,796)</u>	<u>(224,352)</u>	
Net book value	<u>\$ 57,266</u>	<u>\$ 84,710</u>	

Depreciation and amortization expense amounted to \$27,444 and \$28,713 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – PENSION PLAN

NELP maintains a qualified defined contribution pension plan covering all employees under a union contract. For each of the years ended December 31, 2021 and 2020, NELP contributed 6% of the participating employees' salaries, which amounted to approximately \$303,000 and \$307,000, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. NELP has lease agreements for the rental of its New York, California, Washington and Washington, D.C. offices. Minimum annual rentals related to the above leases are as follows for years ended subsequent to December 31, 2021:

2022	\$ 628,300
2023	656,000
2024	708,400
2025	699,900
2026	578,400
Thereafter	<u>1,056,200</u>
	<u>\$ 4,327,200</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

During 2018, NELP entered a new lease for its location in New York City. As of December 31, 2021 and 2020, this lease is secured by a letter of credit in the amount of \$147,937.

Rent expense amounted to approximately \$659,000 and \$664,000 for the years ended December 31, 2021 and 2020, respectively.

Rental income in the accompanying statements of activities represents rental income from subleases amounting to \$15,837 and \$33,238 for the years ended December 31, 2021 and 2020, respectively.

- B. Employee compensation is covered under a collective bargaining agreement (“CBA”) for the years ended December 31, 2021 and 2020. The CBA stipulates participation in group health plans and certain agreements with regard to paid time off and leave policies, work hours and schedules, and personnel policies including grievance, discharge, and discipline procedures. In March 2020, a new agreement was signed effective as of and retroactive to January 1, 2020 and terminating on December 31, 2022.
- C. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which spread throughout the United States. NELP could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on NELP’s mission, programs, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, NELP cannot predict the extent to which its financial condition and results of operations will be affected.

In response to the pandemic, in March 2020, the United States passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which included the Paycheck Protection Program, which intends to provide loans to businesses to cover payroll costs. The loans are eligible for forgiveness if certain criteria are met. On May 28, 2020, NELP received a loan of \$811,900 under this program. As of December 31, 2020 management believed they met the requirements for forgiveness and recognized the loan and the related accrued interest as revenue in the amounts of \$811,900 and \$4,736 respectively. On September 22, 2021, NELP received forgiveness for the entire amount.

- D. NELP believes it has no uncertain income tax positions as of December 31, 2021 and 2020, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Social insurance	\$ -	\$ 657,170
Work equity	6,740,399	2,657,624
Work quality	238,312	279,484
Work structures	1,073,313	1,484,460
Strategic initiatives	22,051	3,302,191
Time restricted for operations and general purposes	<u>17,905,231</u>	<u>5,375,276</u>
	<u>\$ 25,979,306</u>	<u>\$ 13,756,205</u>

Net assets released from donor restrictions amounted to \$14,531,774 and \$9,410,982 for the years ended December 31, 2021 and 2020, respectively.

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NOTE 10 – CONCENTRATIONS

- A. Cash that potentially subjects NELP to a concentration of credit risk includes cash accounts and money market deposit accounts with banks that, at times, exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accounts are insured up to \$250,000 per depositor, per FDIC-insured institution and per ownership category. As of December 31, 2021 and 2020, there was approximately \$16,300,000 and \$11,500,000, respectively, of cash held by two different banks that exceeded FDIC limits. Such excess includes outstanding checks.
- B. As of December 31, 2021 and 2020, approximately 58% and 52% of pledges and grants receivable is due from one donor.
- C. For the years ended December 31, 2021 and 2020, approximately 34% and 16% of NELP’s contribution and grants revenue is from one donor.

NOTE 11 – FAIR VALUE MEASUREMENTS

In determining fair value, NELP utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Investments in demand deposits, money market funds and common stock are valued using market prices in active markets (Level 1). Mutual funds are valued at the net asset value (“NAV”) of shares held by NELP at year end based upon quoted market prices determined in an active market. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets carried at fair value at December 31, 2021 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2021</u>
Investments:			
Mutual funds	\$ 7,050,225	\$ -	\$ 7,050,225
Demand deposits and money market funds	245,882	-	245,882
Corporate bonds	826,112	353,654	1,179,766
Common stock	<u>349,961</u>	<u>-</u>	<u>349,961</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 8,472,180</u>	<u>\$ 353,654</u>	<u>\$ 8,825,834</u>

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NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2020 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2020</u>
Investments:			
Mutual funds	\$ 156,249	\$ -	\$ 156,249
Demand deposits and money market funds	84,871	-	84,871
Corporate bonds	-	1,620,465	1,620,465
Common stock	<u>4,959,169</u>	<u>-</u>	<u>4,959,169</u>
 TOTAL ASSETS AT FAIR VALUE	 <u>\$ 5,200,289</u>	 <u>\$ 1,620,465</u>	 <u>\$ 6,820,754</u>

NOTE 12 – SUBSEQUENT EVENTS

NELP has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 14, 2022, the date the financial statements were available to be issued.