



**National Employment Law Project, Inc.**

**Financial Statements  
(Together with Independent Auditors' Report)**

**For the Years Ended December 31, 2020 and 2019**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**

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

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Employment Law Project, Inc. ("NELP"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NELP as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
September 2, 2021

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash (Note 10A)	\$ 11,900,102	\$ 7,056,254
Investments (Notes 2F, 5, and 11)	6,820,754	6,146,545
Pledges and grants receivable, net (Notes 2H, 4 and 10B)	2,678,315	6,814,198
Prepaid expenses and other assets	395,416	335,482
Security deposits	24,655	30,306
Property and equipment, net (Notes 2E and 6)	84,710	113,423
<b>TOTAL ASSETS</b>	<b>\$ 21,903,952</b>	<b>\$ 20,496,208</b>
<b>LIABILITIES</b>		
Accounts and accrued expenses payable	\$ 207,513	\$ 538,335
Accrued vacation	391,863	309,644
Deferred rent (Note 2J)	334,760	293,122
<b>TOTAL LIABILITIES</b>	<b>934,136</b>	<b>1,141,101</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>NET ASSETS (Note 2D)</b>		
Without donor restrictions	7,213,611	6,117,000
With donor restrictions (Note 9)	13,756,205	13,238,107
<b>TOTAL NET ASSETS</b>	<b>20,969,816</b>	<b>19,355,107</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,903,952</b>	<b>\$ 20,496,208</b>

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, 2020 AND 2019**

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>
<b>OPERATING SUPPORT AND REVENUE:</b>						
Special events revenue	\$ -	\$ -	\$ -	\$ 378,862	\$ -	\$ 378,862
Less: direct special event expenses (Note 2K)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,201)</u>	<u>-</u>	<u>(77,201)</u>
Net revenues from special events	-	-	-	301,661	-	301,661
Grants and contributions (Notes 2C, 2H, 2I and 10B)	1,151,259	9,929,080	11,080,339	674,566	9,306,537	9,981,103
Fee for services	257,325	-	257,325	102,480	-	102,480
Rental income (Note 8A)	33,238	-	33,238	40,286	-	40,286
Paycheck Protection Program (Note 8C)	816,636	-	816,636	-	-	-
Other revenue	32,257	-	32,257	10,580	-	10,580
Net assets released from restrictions (Notes 2C, 2D and 9)	<u>9,410,982</u>	<u>(9,410,982)</u>	<u>-</u>	<u>7,946,717</u>	<u>(7,946,717)</u>	<u>-</u>
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<u>11,701,697</u>	<u>518,098</u>	<u>12,219,795</u>	<u>9,076,290</u>	<u>1,359,820</u>	<u>10,436,110</u>
<b>OPERATING EXPENSES (Note 2M):</b>						
Program Services:						
Educational	9,894,307	-	9,894,307	8,809,674	-	8,809,674
Supporting Services:						
Management and general	1,190,966	-	1,190,966	1,037,779	-	1,037,779
Fundraising	<u>221,268</u>	<u>-</u>	<u>221,268</u>	<u>308,521</u>	<u>-</u>	<u>308,521</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>11,306,541</u>	<u>-</u>	<u>11,306,541</u>	<u>10,155,974</u>	<u>-</u>	<u>10,155,974</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	395,156	518,098	913,254	(1,079,684)	1,359,820	280,136
<b>NONOPERATING ACTIVITY</b>						
Investment activity (Notes 2F, 2N and 5)	<u>701,455</u>	<u>-</u>	<u>701,455</u>	<u>1,046,618</u>	<u>-</u>	<u>1,046,618</u>
<b>CHANGE IN NET ASSETS</b>	1,096,611	518,098	1,614,709	(33,066)	1,359,820	1,326,754
<b>Net assets - beginning of year</b>	<u>6,117,000</u>	<u>13,238,107</u>	<u>19,355,107</u>	<u>6,150,066</u>	<u>11,878,287</u>	<u>18,028,353</u>
<b>NET ASSETS - END OF YEAR</b>	<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>

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

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	For the Year Ended December 31, 2020					For the Year Ended December 31, 2019				
	Supporting Services			Total Supporting Services	Total 2020	Supporting Services			Total Supporting Services	Total 2019
Program Services	Management and General	Fundraising	Management and General			Fundraising	Program Services	Management and General		
Salaries	\$ 3,895,266	\$ 545,459	\$ 110,188	\$ 655,647	\$ 4,550,913	\$ 3,594,519	\$ 544,025	\$ 166,504	\$ 710,529	\$ 4,305,048
Payroll taxes and employee benefits (Note 7)	<u>1,382,548</u>	<u>161,617</u>	<u>35,866</u>	<u>197,483</u>	<u>1,580,031</u>	<u>1,340,868</u>	<u>147,445</u>	<u>38,458</u>	<u>185,903</u>	<u>1,526,771</u>
<b>Total Salaries and Related Costs</b>	<b>5,277,814</b>	<b>707,076</b>	<b>146,054</b>	<b>853,130</b>	<b>6,130,944</b>	<b>4,935,387</b>	<b>691,470</b>	<b>204,962</b>	<b>896,432</b>	<b>5,831,819</b>
Staff development and fees	25,314	11,300	523	11,823	37,137	24,306	15,686	1,031	16,717	41,023
Occupancy and utilities (Notes 2J and 8A)	677,067	20,462	2,096	22,558	699,625	609,071	57,867	90,275	148,142	757,213
Consultant and contracted services	546,484	352,794	63,424	416,218	962,702	576,118	136,044	45,820	181,864	757,982
Computers and related expenses	234,812	48,712	4,310	53,022	287,834	293,511	35,902	6,870	42,772	336,283
Travel and NELP meetings	18,434	-	2,349	2,349	20,783	192,554	20,327	1,795	22,122	214,676
Office expenses	31,497	5,349	439	5,788	37,285	28,891	4,419	211	4,630	33,521
Insurance	15,206	2,694	-	2,694	17,900	14,097	4,550	410	4,960	19,057
Equipment rental and repairs	8,279	6,773	32	6,805	15,084	22,681	2,250	396	2,646	25,327
Telephone	62,020	9,767	909	10,676	72,696	55,080	8,507	1,243	9,750	64,830
Grants and awards (Note 2L)	2,732,961	-	-	-	2,732,961	1,500,000	-	-	-	1,500,000
Library	28,975	1,543	260	1,803	30,778	21,453	1,432	126	1,558	23,011
Printing and postage	10,012	-	-	-	10,012	27,250	1,504	14,404	15,908	43,158
Program and related expenses	182,053	3,000	-	3,000	185,053	432,138	37,073	15,946	53,019	485,157
Other expenses	17,433	19,083	518	19,601	37,034	19,337	14,130	1,165	15,295	34,632
Team Leads meetings	-	-	-	-	-	18,157	95	15	110	18,267
Depreciation and amortization (Note 6)	<u>25,946</u>	<u>2,413</u>	<u>354</u>	<u>2,767</u>	<u>28,713</u>	<u>39,643</u>	<u>6,523</u>	<u>1,053</u>	<u>7,576</u>	<u>47,219</u>
	<u>9,894,307</u>	<u>1,190,966</u>	<u>221,268</u>	<u>1,412,234</u>	<u>11,306,541</u>	<u>8,809,674</u>	<u>1,037,779</u>	<u>385,722</u>	<u>1,423,501</u>	<u>10,233,175</u>
Costs of direct benefit to donors (Note 2K)	-	-	-	-	-	-	-	(77,201)	(77,201)	(77,201)
<b>TOTAL EXPENSES</b>	<b><u>\$ 9,894,307</u></b>	<b><u>\$ 1,190,966</u></b>	<b><u>\$ 221,268</u></b>	<b><u>\$ 1,412,234</u></b>	<b><u>\$ 11,306,541</u></b>	<b><u>\$ 8,809,674</u></b>	<b><u>\$ 1,037,779</u></b>	<b><u>\$ 308,521</u></b>	<b><u>\$ 1,346,300</u></b>	<b><u>\$ 10,155,974</u></b>

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, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,614,709	\$ 1,326,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(640,014)	(909,803)
Realized loss (gain) on investments	49,879	(170,683)
Depreciation and amortization expense	28,713	47,219
Subtotal	1,053,287	293,487
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges and grants receivable	4,135,883	(20,068)
Prepaid expenses and other assets	(59,934)	(11,877)
Security deposits	5,651	(13,319)
Increase in liabilities:		
Accounts and accrued expenses payable	(330,822)	10,228
Accrued vacation	82,219	21,198
Deferred rent	41,638	140,876
<b>Net Cash Provided by Operating Activities</b>	<b>4,927,922</b>	<b>420,525</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(55,468)
Proceeds from investment activities	1,465,220	1,175,251
Purchase of investments	(1,549,294)	(1,128,952)
<b>Net Cash Used in Investing Activities</b>	<b>(84,074)</b>	<b>(9,169)</b>
<b>NET INCREASE IN CASH</b>	<b>4,843,848</b>	<b>411,356</b>
Cash - beginning of year	7,056,254	6,644,898
<b>CASH - END OF YEAR</b>	<b>\$ 11,900,102</b>	<b>\$ 7,056,254</b>

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

**NATIONAL EMPLOYMENT LAW PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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.

- 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, 2020 and 2019, respectively.



**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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, 2020 and 2019 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 Cy Pres doctrine, courts can distribute these residual funds to appropriate charitable causes. The Cy Pres 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, 2020 and 2019, these amounted to \$100,767 and \$494,203, 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 \$(41,638) and \$(140,876) for the years ended December 31, 2020 and 2019, 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 conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. These costs are netted against special events revenue and amounted to \$0 and \$77,201 for the years ended December 31, 2020 and 2019, respectively.
- L. 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, 2020 and 2019, there were no forfeitures of grant awards.
- M. 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.
- N. 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.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 2020 and 2019, NELP's reserve exceeded the requirements set forth in the policy.

As of December 31, 2020 and 2019, financial assets available for general expenditure within twelve months were as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 11,900,102	\$ 7,056,254
Investments	6,820,754	6,146,545
Pledges and grants receivable	<u>2,678,315</u>	<u>6,814,198</u>
Total financial assets	21,399,171	20,016,997
Less: collateral or letter of credit for security deposit	(147,937)	(147,937)
Less: amounts restricted for regrants	(3,446,467)	(4,413,000)
Less: net assets with donor restrictions	<u>(5,375,276)</u>	<u>(6,134,760)</u>
	<u>\$ 12,429,491</u>	<u>\$ 9,321,300</u>

**NOTE 4 – PLEDGES AND GRANTS RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Amount due in less than one year	\$ 1,715,788	\$ 6,779,726
Amount due in one to five years	<u>964,166</u>	<u>35,025</u>
	2,679,954	6,814,751
Less: present value discount (0.17%-1.58%)	<u>(1,639)</u>	<u>(553)</u>
	<u>\$ 2,678,315</u>	<u>\$ 6,814,198</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 5 – INVESTMENTS**

Investments consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 156,249	\$ 149,711
Demand deposits and money market funds	84,871	102,471
Corporate bonds	1,620,465	2,044,801
Common stock	<u>4,959,169</u>	<u>3,849,562</u>
	<u>\$ 6,820,754</u>	<u>\$ 6,146,545</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 149,506	\$ 14,544
Unrealized gain	640,014	909,803
Realized (loss)/gain	(49,879)	170,683
Investment fees	<u>(38,186)</u>	<u>(48,412)</u>
	<u>\$ 701,455</u>	<u>\$ 1,046,618</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>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 213,510	\$ 213,510	3 years
Furniture and fixtures	45,274	45,274	5 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>(224,352)</u>	<u>(195,639)</u>	
Net book value	<u>\$ 84,710</u>	<u>\$ 113,423</u>	

Depreciation and amortization expense amounted to \$28,713 and \$47,219 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, NELP contributed 6% of the participating employees' salaries, which amounted to approximately \$307,000 and \$272,000, respectively.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020:

2021	\$ 617,128
2022	628,318
2023	656,005
2024	708,438
2025	699,923
Thereafter	<u>1,613,026</u>
	<u>\$ 4,922,838</u>

During 2018, NELP entered a new lease for its location in New York City. As of December 31, 2020 and 2019, this lease is secured by a letter of credit in the amount of \$147,937.

Rent expense amounted to approximately \$664,000 and \$648,000 for the years ended December 31, 2020 and 2019, respectively.

Rental income in the accompanying statements of activities represents rental income from subleases amounting to \$33,238 and \$40,286 for the years ended December 31, 2020 and 2019, respectively.

- B. Employee compensation is covered under a collective bargaining agreement (“CBA”) for the years ended December 31, 2020 and 2019. The CBA, which covers the period from January 1, 2017 to December 31, 2019, 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. NELP submitted the application for forgiveness on July 14, 2021.

- D. NELP believes it has no uncertain income tax positions as of December 31, 2020 and 2019 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.

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**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Social insurance	\$ 657,170	\$ 49,810
Work equity	2,657,624	117,060
Work quality	279,484	1,330,579
Work structures	1,484,460	3,010,161
Strategic initiatives	3,302,191	2,595,737
Time restricted for operations and general purposes	<u>5,375,276</u>	<u>6,134,760</u>
	<u>\$ 13,756,205</u>	<u>\$ 13,238,107</u>

Net assets released from donor restrictions amounted to \$9,410,982 and \$7,946,717 for the years ended December 31, 2020 and 2019, respectively.

**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, 2020 and 2019, there was approximately \$11,500,000 and \$6,800,000, respectively, of cash held by two different banks that exceeded FDIC limits. Such excess includes outstanding checks.
- B. For the year ended December 31, 2020, NELP’s contribution and grants revenue included contributions from a single donor amounted to \$1,900,000, approximately 16% of total revenue. As of December 31, 2020, pledges and grants receivable included pledges receivable from a single donor amounting to \$1,400,000 which comprised approximately 52% of total pledges and grants receivable. For the year ended December 31, 2019, NELP’s contribution and grants revenue included contributions from a single donor amounted to \$5,400,000, approximately 54% of total revenue. As of December 31, 2019, pledges and grants receivable included pledges receivable from a single donor amounting to \$5,125,000 which comprised approximately 75% of total pledges and grants receivable.

**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.

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**NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)**

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 instruments 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, 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>

Financial assets carried at fair value at December 31, 2019 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2019</u>
Investments:			
Mutual funds	\$ 149,711	\$ -	\$ 149,711
Demand deposits and money market funds	102,471	-	102,471
Corporate bonds	-	2,044,801	2,044,801
Common stock	<u>3,849,562</u>	<u>-</u>	<u>3,849,562</u>
 TOTAL ASSETS AT FAIR VALUE	 <u>\$ 4,101,744</u>	 <u>\$ 2,044,801</u>	 <u>\$ 6,146,545</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 2, 2021, the date the financial statements were available to be issued.