



National Employment Law Project, Inc.

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

For the Years Ended December 31, 2023 and 2022

NATIONAL EMPLOYMENT LAW PROJECT, INC.

**FINANCIAL STATEMENTS
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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
National Employment Law Project, Inc.
New York, NY

Opinion

We have audited the financial statements of the National Employment Law Project, Inc. ("NELP"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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.

CBIZ CPAs P.C.¹

New York, NY
September 19, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2E and 11A)	\$ 7,210,259	\$ 8,649,996
Investments (Notes 2G, 5 and 12)	8,932,633	7,849,528
Accounts receivable	-	10,000
Pledges and grants receivable, net (Notes 2H, 4 and 11B)	6,857,092	9,325,579
Other receivables	13,767	75,225
Prepaid expenses and other assets	363,788	346,121
Security deposits	23,255	23,255
Operating right-of-use asset (Note 8)	2,544,294	3,140,935
Property and equipment, net (Notes 2F and 6)	244,288	37,169
TOTAL ASSETS	\$ 26,189,376	\$ 29,457,808
LIABILITIES		
Accounts payable and accrued expenses	\$ 521,011	\$ 288,373
Accrued vacation	486,430	418,674
Operating lease liability (Note 8)	2,926,305	3,528,618
TOTAL LIABILITIES	3,933,746	4,235,665
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2D)		
Without donor restrictions	9,579,376	8,974,245
With donor restrictions (Note 10)	12,676,254	16,247,898
TOTAL NET ASSETS	22,255,630	25,222,143
TOTAL LIABILITIES AND NET ASSETS	\$ 26,189,376	\$ 29,457,808

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, 2023 AND 2022**

	<u>For the Year Ended December 31, 2023</u>			<u>For the Year Ended December 31, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
OPERATING SUPPORT AND REVENUE:						
Grants and contributions (Notes 2C, 2H, and 11C)	\$ 278,054	\$ 10,873,150	\$ 11,151,204	\$ 959,185	\$ 7,244,653	\$ 8,203,838
Fee for services	185,568	-	185,568	-	-	-
Rental income (Note 8)	-	-	-	13,188	-	13,188
Other revenue	42,052	-	42,052	8,470	-	8,470
Net assets released from restrictions (Notes 2C, 2D and 10)	<u>14,444,794</u>	<u>(14,444,794)</u>	<u>-</u>	<u>16,976,061</u>	<u>(16,976,061)</u>	<u>-</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>14,950,468</u>	<u>(3,571,644)</u>	<u>11,378,824</u>	<u>17,956,904</u>	<u>(9,731,408)</u>	<u>8,225,496</u>
OPERATING EXPENSES (Note 2K):						
Program Services:						
Educational	11,650,109	-	11,650,109	14,345,174	-	14,345,174
Supporting Services:						
Management and general	2,679,984	-	2,679,984	1,907,109	-	1,907,109
Fundraising	<u>1,124,926</u>	<u>-</u>	<u>1,124,926</u>	<u>954,913</u>	<u>-</u>	<u>954,913</u>
	3,804,910	-	3,804,910	2,862,022	-	2,862,022
TOTAL OPERATING EXPENSES	<u>15,455,019</u>	<u>-</u>	<u>15,455,019</u>	<u>17,207,196</u>	<u>-</u>	<u>17,207,196</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(504,551)	(3,571,644)	(4,076,195)	749,708	(9,731,408)	(8,981,700)
NONOPERATING ACTIVITY						
Investment activity (Notes 2G and 5)	<u>1,109,682</u>	<u>-</u>	<u>1,109,682</u>	<u>(930,289)</u>	<u>-</u>	<u>(930,289)</u>
CHANGE IN NET ASSETS	605,131	(3,571,644)	(2,966,513)	(180,581)	(9,731,408)	(9,911,989)
Net assets - beginning of year	<u>8,974,245</u>	<u>16,247,898</u>	<u>25,222,143</u>	<u>9,154,826</u>	<u>25,979,306</u>	<u>35,134,132</u>
NET ASSETS - END OF YEAR	<u>\$ 9,579,376</u>	<u>\$ 12,676,254</u>	<u>\$ 22,255,630</u>	<u>\$ 8,974,245</u>	<u>\$ 16,247,898</u>	<u>\$ 25,222,143</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	For the Year Ended December 31, 2023					For the Year Ended December 31, 2022				
	Supporting Services			Total Supporting Services	Total 2023	Supporting Services			Total Supporting Services	Total 2022
Program Services	Management and General	Fundraising	Program Services			Management and General	Fundraising			
Salaries	\$ 4,890,390	\$ 1,148,208	\$ 727,781	\$ 1,875,989	\$ 6,766,379	\$ 4,266,730	\$ 769,957	\$ 595,546	\$ 1,365,503	\$ 5,632,233
Payroll taxes and employee benefits (Note 7)	<u>1,648,963</u>	<u>458,037</u>	<u>246,665</u>	<u>704,702</u>	<u>2,353,665</u>	<u>1,603,203</u>	<u>289,840</u>	<u>218,928</u>	<u>508,768</u>	<u>2,111,971</u>
Total Salaries and Related Costs	6,539,353	1,606,245	974,446	2,580,691	9,120,044	5,869,933	1,059,797	814,474	1,874,271	7,744,204
Staff development and fees	37,584	49,871	7,388	57,259	94,843	29,753	58,538	17,032	75,570	105,323
Occupancy and utilities (Note 8)	515,796	116,056	77,959	194,015	709,811	485,043	130,830	66,928	197,758	682,801
Consultant and contracted services	957,518	602,701	990	603,691	1,561,209	1,410,345	435,005	5,000	440,005	1,850,350
Computers and related expenses	293,156	155,972	44,086	200,058	493,214	263,409	106,297	36,646	142,943	406,352
Travel and NELP meetings	194,841	12,561	3,281	15,842	210,683	87,697	13,510	1,309	14,819	102,516
Office expenses	27,709	30,269	1,320	31,589	59,298	46,388	9,497	153	9,650	56,038
Insurance	-	19,479	-	19,479	19,479	-	19,001	-	19,001	19,001
Equipment rental and repairs	30,816	10,066	2,215	12,281	43,097	7,364	10,913	753	11,666	19,030
Telephone	20,404	9,745	3,873	13,618	34,022	42,103	7,045	5,889	12,934	55,037
Grants and awards (Note 2J)	2,722,765	-	-	-	2,722,765	6,015,050	-	-	-	6,015,050
Library	15,249	1,778	2,204	3,982	19,231	20,604	7,894	-	7,894	28,498
Printing and postage	6,675	6,517	1,001	7,518	14,193	3,890	3,134	240	3,374	7,264
Program and related expenses	270,324	19,807	-	19,807	290,131	50,685	6,292	-	6,292	56,977
Other expenses	17,919	26,763	6,163	32,926	50,845	12,910	19,259	6,489	25,748	38,658
Depreciation and amortization (Note 6)	-	12,154	-	12,154	12,154	-	20,097	-	20,097	20,097
TOTAL EXPENSES	<u>\$ 11,650,109</u>	<u>\$ 2,679,984</u>	<u>\$ 1,124,926</u>	<u>\$ 3,804,910</u>	<u>\$ 15,455,019</u>	<u>\$ 14,345,174</u>	<u>\$ 1,907,109</u>	<u>\$ 954,913</u>	<u>\$ 2,862,022</u>	<u>\$ 17,207,196</u>

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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,966,513)	\$ (9,911,989)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (gain) loss on investments	(895,494)	952,842
Realized (gain) loss on investments	(81,200)	91,720
Depreciation and amortization expense	12,154	20,097
Amortization of discount	(57,013)	104,531
Subtotal	(3,988,066)	(8,742,799)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	10,000	428,371
Pledges and grants receivable	2,525,500	995,666
Other receivables	61,458	25,394
Prepaid expenses and other assets	(17,667)	(136,404)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	232,638	(780,099)
Accrued vacation	67,756	48,126
Operating lease liability	(5,672)	15,296
Net Cash Used in Operating Activities	(1,114,053)	(8,146,449)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(219,273)	-
Proceeds from sales of investments	3,951,315	5,663,702
Purchase of investments	(4,057,726)	(5,731,958)
Net Cash Used in Investing Activities	(325,684)	(68,256)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,439,737)	(8,214,705)
Cash and cash equivalents - beginning of year	8,649,996	16,864,701
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,210,259	\$ 8,649,996

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

NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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. Cash and cash equivalents include all highly liquid instruments with maturities of three months or less when acquired.
- F. 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.
- G. 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.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12.

- 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, 2023 and 2022, 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, 2023 and 2022, these amounted to \$92,375 and \$867,155, respectively.
- J. 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, 2023 and 2022, there were no forfeitures of grant awards.
- K. 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.
- L. 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.

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.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING 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 2023 and 2022, NELP's reserve exceeded the requirements set forth in the policy.

As of December 31, 2023 and 2022, financial assets available for general expenditure within twelve months were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,210,259	\$ 8,649,996
Investments	8,932,633	7,849,528
Accounts receivable	-	10,000
Other receivables	13,767	75,225
Pledges and grants receivable, net	<u>6,857,092</u>	<u>9,325,579</u>
 Total financial assets	 23,013,751	 25,910,328
 Less: collateral or letter of credit for security deposit	 (147,937)	 (147,937)
Less: net assets with donor restrictions	<u>(12,676,254)</u>	<u>(16,247,898)</u>
	<u>\$ 10,189,560</u>	<u>\$ 9,514,493</u>

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE, NET

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

	<u>2023</u>	<u>2022</u>
In less than one year	\$ 5,235,500	\$ 6,138,500
Between one and five years	<u>1,705,000</u>	<u>3,327,500</u>
	6,940,500	9,466,000
Less: present value discount (4.01% and 0.97%)	<u>(83,408)</u>	<u>(140,421)</u>
	<u>\$ 6,857,092</u>	<u>\$ 9,325,579</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 923,337	\$ 4,622,254
Demand deposits and money market funds	58,702	85,451
Corporate bonds	148,009	794,197
Common stock	4,637,163	2,205,431
US Treasury	3,065,447	-
Real estate trusts	<u>99,975</u>	<u>142,195</u>
	<u>\$ 8,932,633</u>	<u>\$ 7,849,528</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 202,850	\$ 182,807
Unrealized gain (loss)	895,494	(952,842)
Realized gain (loss)	81,200	(91,720)
Investment fees	<u>(69,862)</u>	<u>(68,534)</u>
	<u>\$ 1,109,682</u>	<u>\$ (930,289)</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>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 432,783	\$ 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	528,335	309,062	
Less: accumulated depreciation and amortization	<u>(284,047)</u>	<u>(271,893)</u>	
Net book value	<u>\$ 244,288</u>	<u>\$ 37,169</u>	

Depreciation and amortization expense amounted to \$12,154 and \$20,097 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, NELP contributed 6% of the participating employees' salaries, which amounted to \$426,286 and \$363,743, respectively.

NOTE 8 – OPERATING LEASES

NELP has lease agreements for the rental of its New York, California, Washington and Washington, D.C. offices.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 8 – OPERATING LEASES (Continued)

As of December 31, 2023 and 2022, the right-of-use (“ROU”) asset had a balance of \$2,544,294 and \$3,140,935, respectively, and the lease liability totaled \$2,926,305 and \$3,528,618, respectively, as reflected in the accompanying statement of financial position. For the years ended December 31, 2023 and 2022, the lease liabilities were calculated utilizing the risk-free rate in effect at the initial adoption date of January 1, 2022.

The following table summarizes the supplemental cash flow information for the period ended December 31:

Cash paid for amounts included in the measurement of lease liabilities:	<u>2023</u>	<u>2022</u>
Operating cash flows from operating leases	<u>\$ 656,005</u>	<u>\$ 628,318</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate as of December 31:

Weighted average remaining lease term in years:	<u>2023</u>	<u>2022</u>
Operating leases	4.51	5.41

Weighted average discount rate:	<u>2023</u>	<u>2022</u>
Operating leases	1.66%	1.66%

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets	<u>\$ 2,544,294</u>	<u>\$ 2,544,294</u>
Lease liabilities	<u>\$ 2,926,305</u>	<u>\$ 2,926,305</u>

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2023 and thereafter are as follows:

2024	\$	708,400
2025		699,900
2026		578,500
2027		479,700
2028		492,900
Thereafter		<u>83,600</u>
Total lease payments		3,043,000
Less: Present value discount		<u>(116,695)</u>
Present value of lease liabilities		<u>\$ 2,926,305</u>

During 2018, NELP entered a new lease for its location in New York City. As of December 31, 2023 and 2022, this lease is secured by a letter of credit in the amount of \$147,937.

Rent expense amounted to \$667,434 and \$645,795 for the years ended December 31, 2023 and 2022, respectively.

Rental income in the accompanying statement of activities represents rental income from subleases amounting to \$13,188 for the year ended December 31, 2022.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. Employee compensation is covered under a collective bargaining agreement (“CBA”) for the years ended December 31, 2023 and 2022. 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. On January 31, 2023, a new agreement was signed effective as of and retroactive to January 1, 2023 and terminates on December 31, 2025.
- B. NELP believes it has no uncertain income tax positions as of December 31, 2023 and 2022, 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 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Social insurance	\$ 937,524	\$ 930,445
Work equity	616,541	1,260,814
Work quality	68,587	1,324,669
Work structures	164,344	481,268
Strategic initiatives	432,609	473,701
Time restricted for operations and general purposes	<u>10,456,649</u>	<u>11,777,001</u>
	<u>\$ 12,676,254</u>	<u>\$ 16,247,898</u>

Net assets released from donor restrictions amounted to \$14,444,794 and \$16,976,061 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 – 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, 2023 and 2022, there was approximately \$2,500,000 and \$8,400,000, respectively, of cash held by two different banks that exceeded FDIC limits. Such excess includes outstanding checks.
- B. As of December 31, 2023 and 2022, approximately 42% and 65%, respectively, of pledges and grants receivable is due from one donor.
- C. For the years ended December 31, 2023 and 2022, approximately 33% and 35%, respectively, of NELP’s contribution and grants revenue is from one donor.

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NOTE 12 – 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, common stock, mutual funds, trusts and certain fixed income are valued using market prices in active markets (Level 1). 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, 2023 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2023</u>
Investments:			
Mutual funds	\$ 923,337	\$ -	\$ 923,337
Demand deposits and money market funds	58,702	-	58,702
Corporate bonds	148,009	-	148,009
Common stock	4,637,163	-	4,637,163
US Treasury	3,065,447	-	3,065,447
Real estate trusts	<u>99,975</u>	<u>-</u>	<u>99,975</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 8,932,633</u>	<u>\$ -</u>	<u>\$ 8,932,633</u>

Financial assets carried at fair value at December 31, 2022 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2023</u>
Investments:			
Mutual funds	\$ 4,622,254	\$ -	\$ 4,622,254
Demand deposits and money market funds	85,451	-	85,451
Corporate bonds	694,670	99,258	793,928
Common stock	2,205,431	-	2,205,700
Real estate trusts	<u>142,195</u>	<u>-</u>	<u>142,195</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 7,750,001</u>	<u>\$ 99,258</u>	<u>\$ 7,849,528</u>

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NOTE 13 – SUBSEQUENT EVENTS

NELP has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 19, 2024, the date the financial statements were available to be issued.