



**National Employment Law Project, Inc.**

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

**Years Ended December 31, 2022 and 2021**

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**

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

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As discussed in Note 2L to the financial statements, NELP changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

### **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.

### **Mayer Hoffman McCann CPAs**

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### ***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 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.

*Mayer Hoffman McCann CPAs*

New York, NY  
July 24, 2023

#### **Mayer Hoffman McCann CPAs**

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**NATIONAL EMPLOYMENT LAW PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 11)	\$ 8,649,996	\$ 16,864,701
Investments (Notes 2F, 5 and 12)	7,849,528	8,825,834
Accounts receivable, net	10,000	438,371
Pledges and grants receivable, net (Notes 2G, 4 and 11B)	9,325,579	10,425,776
Other receivables, net	75,225	100,619
Prepaid expenses and other assets	346,121	209,717
Security deposits	23,255	23,255
Operating right-of-use asset (Notes 2L and 8)	3,140,935	-
Property and equipment, net (Notes 2E and 6)	<u>37,169</u>	<u>57,266</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,457,808</u></b>	<b><u>\$ 36,945,539</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 288,373	\$ 1,068,472
Accrued vacation	418,674	370,548
Deferred rent	-	372,387
Lease liability (Notes 2L and 8)	<u>3,528,618</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,235,665</u></b>	<b><u>1,811,407</u></b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>NET ASSETS (Note 2D)</b>		
Without donor restrictions	8,974,245	9,154,826
With donor restrictions (Note 10)	<u>16,247,898</u>	<u>25,979,306</u>
<b>TOTAL NET ASSETS</b>	<b><u>25,222,143</u></b>	<b><u>35,134,132</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 29,457,808</u></b>	<b><u>\$ 36,945,539</u></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, 2022 AND 2021**

	<u>For the Year Ended December 31, 2022</u>			<u>For the Year Ended December 31, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
<b>OPERATING SUPPORT AND REVENUE:</b>						
Grants and contributions (Notes 2C, 2G, 2I and 11C)	\$ 959,185	\$ 7,244,653	\$ 8,203,838	\$ 1,321,785	\$ 26,754,875	\$ 28,076,660
Rental income (Note 8)	13,188	-	13,188	15,837	-	15,837
Other revenue	8,470	-	8,470	26,893	-	26,893
Net assets released from restrictions (Notes 2C, 2D and 10)	<u>16,976,061</u>	<u>(16,976,061)</u>	<u>-</u>	<u>14,531,774</u>	<u>(14,531,774)</u>	<u>-</u>
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<u>17,956,904</u>	<u>(9,731,408)</u>	<u>8,225,496</u>	<u>15,896,289</u>	<u>12,223,101</u>	<u>28,119,390</u>
<b>OPERATING EXPENSES (Note 2K):</b>						
Program Services:						
Educational	14,345,174	-	14,345,174	12,678,604	-	12,678,604
Supporting Services:						
Management and general	1,907,109	-	1,907,109	1,572,395	-	1,572,395
Fundraising	<u>954,913</u>	<u>-</u>	<u>954,913</u>	<u>733,275</u>	<u>-</u>	<u>733,275</u>
	2,862,022	-	2,862,022	2,305,670	-	2,305,670
<b>TOTAL OPERATING EXPENSES</b>	<u>17,207,196</u>	<u>-</u>	<u>17,207,196</u>	<u>14,984,274</u>	<u>-</u>	<u>14,984,274</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	749,708	(9,731,408)	(8,981,700)	912,015	12,223,101	13,135,116
<b>NONOPERATING ACTIVITY</b>						
Investment activity (Notes 2F and 5)	<u>(930,289)</u>	<u>-</u>	<u>(930,289)</u>	<u>1,029,200</u>	<u>-</u>	<u>1,029,200</u>
<b>CHANGE IN NET ASSETS</b>	(180,581)	(9,731,408)	(9,911,989)	1,941,215	12,223,101	14,164,316
<b>Net assets - beginning of year</b>	<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>
<b>NET ASSETS - END OF YEAR</b>	<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>

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, 2022 AND 2021**

	For the Year Ended December 31, 2022					For the Year Ended December 31, 2021				
	Supporting Services				Total 2022	Supporting Services				Total 2021
	Program Services	Management and General	Fundraising	Total Supporting Services		Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 4,266,730	\$ 769,957	\$ 595,546	\$ 1,365,503	\$ 5,632,233	\$ 4,081,534	\$ 571,916	\$ 414,827	\$ 986,743	\$ 5,068,277
Payroll taxes and employee benefits (Note 7)	1,603,203	289,840	218,928	508,768	2,111,971	1,391,521	229,426	126,889	356,315	1,747,836
<b>Total Salaries and Related Costs</b>	<b>5,869,933</b>	<b>1,059,797</b>	<b>814,474</b>	<b>1,874,271</b>	<b>7,744,204</b>	<b>5,473,055</b>	<b>801,342</b>	<b>541,716</b>	<b>1,343,058</b>	<b>6,816,113</b>
Staff development and fees	29,753	58,538	17,032	75,570	105,323	43,045	22,063	18,550	40,613	83,658
Occupancy and utilities (Note 8)	485,043	130,830	66,928	197,758	682,801	554,094	92,731	48,864	141,595	695,689
Consultant and contracted services	1,410,345	435,005	5,000	440,005	1,850,350	675,167	469,761	85,728	555,489	1,230,656
Computers and related expenses	263,409	106,297	36,646	142,943	406,352	256,525	97,713	23,181	120,894	377,419
Travel and NELP meetings	87,697	13,510	1,309	14,819	102,516	22,254	410	-	410	22,664
Office expenses	46,388	9,497	153	9,650	56,038	46,053	8,121	436	8,557	54,610
Insurance	-	19,001	-	19,001	19,001	-	18,705	-	18,705	18,705
Equipment rental and repairs	7,364	10,913	753	11,666	19,030	6,889	12,231	305	12,536	19,425
Telephone	42,103	7,045	5,889	12,934	55,037	47,368	12,243	2,464	14,707	62,075
Grants and awards (Note 2I)	6,015,050	-	-	-	6,015,050	5,376,626	-	-	-	5,376,626
Library	20,604	7,894	-	7,894	28,498	20,015	350	-	350	20,365
Printing and postage	3,890	3,134	240	3,374	7,264	4,654	1,404	237	1,641	6,295
Program and related expenses	50,685	6,292	-	6,292	56,977	129,611	1,759	-	1,759	131,370
Other expenses	12,910	19,259	6,489	25,748	38,658	14,948	19,204	7,008	26,212	41,160
Depreciation and amortization (Note 6)	-	20,097	-	20,097	20,097	8,300	14,358	4,786	19,144	27,444
<b>TOTAL EXPENSES</b>	<b>\$ 14,345,174</b>	<b>\$ 1,907,109</b>	<b>\$ 954,913</b>	<b>\$ 2,862,022</b>	<b>\$ 17,207,196</b>	<b>\$ 12,678,604</b>	<b>\$ 1,572,395</b>	<b>\$ 733,275</b>	<b>\$ 2,305,670</b>	<b>\$ 14,984,274</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, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (9,911,989)	\$ 14,164,316
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss (gain) on investments	952,842	(724,599)
Realized loss (gain) on investments	91,720	(211,059)
Depreciation and amortization expense	20,097	27,444
Amortization of discount	104,531	34,251
Subtotal	(8,742,799)	13,290,353
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	428,371	(238,831)
Pledges and grants receivable	995,666	(7,781,712)
Other receivables	25,394	(83,707)
Prepaid expenses and other assets	(136,404)	(30,753)
Security deposits	-	1,400
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(780,099)	860,959
Accrued vacation	48,126	(21,315)
Deferred rent	-	37,627
Lease liability	15,296	-
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(8,146,449)</b>	<b>6,034,021</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	5,663,702	1,668,047
Purchase of investments	(5,731,958)	(2,737,469)
<b>Net Cash Used in Investing Activities</b>	<b>(68,256)</b>	<b>(1,069,422)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(8,214,705)	4,964,599
Cash and cash equivalents - beginning of year	16,864,701	11,900,102
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,649,996</b>	<b>\$ 16,864,701</b>

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



**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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 12.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

- G. 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, 2022 and 2021, for pledges and grants receivable.
- H. 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, 2022 and 2021, these amounted to \$867,155 and \$44,808, respectively.
- I. 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, 2022 and 2021, there were no forfeitures of grant awards.
- J. 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.
- K. 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.
- L. NELP adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), for the year ended December 31, 2022. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The lease assets and liabilities on December 31, 2022 totaled \$3,140,935 and \$3,528,618, respectively. The adoption of Topic 842 had no effect on the change in net assets as previously reported.
- M. Certain items on the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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 2022 and 2021, NELP's reserve exceeded the requirements set forth in the policy.

As of December 31, 2022 and 2021, financial assets available for general expenditure within twelve months were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,649,996	\$ 16,864,701
Investments	7,849,528	8,825,834
Accounts receivable, net	10,000	438,371
Other receivables, net	75,225	100,619
Pledges and grants receivable, net	<u>9,325,579</u>	<u>10,425,776</u>
 Total financial assets	 25,910,328	 36,655,301
 Less: collateral or letter of credit for security deposit	 (147,937)	 (147,937)
Less: net assets with donor restrictions	<u>(16,247,898)</u>	<u>(25,979,306)</u>
	 <u>\$ 9,514,493</u>	 <u>\$ 10,528,058</u>

**NOTE 4 – PLEDGES AND GRANTS RECEIVABLE**

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

	<u>2022</u>	<u>2021</u>
In less than one year	\$ 6,138,500	\$ 6,761,666
Between one and five years	<u>3,327,500</u>	<u>3,700,000</u>
	9,466,000	10,461,666
Less: present value discount (.97% and 4.22%)	<u>(140,421)</u>	<u>(35,890)</u>
	 <u>\$ 9,325,579</u>	 <u>\$ 10,425,776</u>

**NATIONAL EMPLOYMENT LAW PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 5 – INVESTMENTS**

Investments consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 4,622,254	\$ 7,050,225
Demand deposits and money market funds	85,451	245,882
Corporate bonds	794,197	1,179,766
Common stock	2,205,431	349,961
Real estate trusts	142,195	-
	<u>\$ 7,849,528</u>	<u>\$ 8,825,834</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 182,807	\$ 154,164
Unrealized (loss) gain	(952,842)	724,599
Realized (loss) gain	(91,720)	211,059
Investment fees	(68,534)	(60,622)
	<u>\$ (930,289)</u>	<u>\$ 1,029,200</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>2022</u>	<u>2021</u>	Estimated Useful Lives
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>(271,893)</u>	<u>(251,796)</u>	
Net book value	<u>\$ 37,169</u>	<u>\$ 57,266</u>	

Depreciation and amortization expense amounted to \$20,097 and \$27,444 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, NELP contributed 6% of the participating employees' salaries, which amounted to \$363,743 and \$302,645, respectively.

**NATIONAL EMPLOYMENT LAW PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 8 – OPERATING LEASES**

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

As of December 31, 2022, the right-of-use (“ROU”) asset had a balance of \$3,140,935. The lease liability totaled \$3,528,618 as reflected in the accompanying statement of financial position. For the year ended December 31, 2022, the lease liabilities were calculated utilizing the risk-free rate in effect at the initial adoption date of January 1, 2022. The weighted average of the remaining lease term is 65 months, and the weighted average discount rate is 1.66%.

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2022 and thereafter are as follows:

2023	\$	656,000
2024		708,400
2025		699,900
2026		578,500
2027		479,700
Thereafter		<u>576,500</u>
Total lease payments		3,699,000
Less: Present value discount		<u>(170,382)</u>
Present value of lease liabilities	\$	<u>3,528,618</u>

During 2018, NELP entered a new lease for its location in New York City. As of December 31, 2022 and 2021, this lease is secured by a letter of credit in the amount of \$147,937.

Rent expense amounted to \$645,795 and \$658,540 for the years ended December 31, 2022 and 2021, respectively.

Rental income in the accompanying statement of activities represents rental income from subleases amounting to \$13,188 and \$15,837 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

- A. Employee compensation is covered under a collective bargaining agreement (“CBA”) for the years ended December 31, 2022 and 2021. 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 terminated on December 31, 2022. The agreement was extended through January 1, 2023.
- B. NELP believes it has no uncertain income tax positions as of December 31, 2022 and 2021, 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 10 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Social insurance	\$ 930,445	\$ -
Work equity	1,260,814	6,740,399
Work quality	1,324,669	238,312
Work structures	481,268	1,073,313
Strategic initiatives	473,701	22,051
Time restricted for operations and general purposes	<u>11,777,001</u>	<u>17,905,231</u>
	<u>\$ 16,247,898</u>	<u>\$ 25,979,306</u>

Net assets released from donor restrictions amounted to \$16,976,061 and \$14,531,774 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, there was approximately \$8,400,000 and \$16,300,000, respectively, of cash held by two different banks that exceeded FDIC limits. Such excess includes outstanding checks.
- B. As of December 31, 2022 and 2021, approximately 65% and 58%, respectively, of pledges and grants receivable is due from one donor.
- C. For the years ended December 31, 2022 and 2021, approximately 35% and 34%, respectively, of NELP’s contribution and grants revenue is from one donor.

**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.

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**NOTE 12 – 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 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, 2022 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2022</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	-	2,205,431
Real estate trusts	<u>142,195</u>	<u>-</u>	<u>142,195</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 7,750,001</u></b>	<b><u>\$ 99,258</u></b>	<b><u>\$ 7,849,259</u></b>

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>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 8,472,180</u></b>	<b><u>\$ 353,654</u></b>	<b><u>\$ 8,825,834</u></b>

**NOTE 13 – SUBSEQUENT EVENTS**

NELP has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through July 24, 2023, the date the financial statements were available to be issued.