National Consumer Law Center

Fighting Together for Economic Justice

AND CONSUMER LAW BUILDING CORPORATION

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

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December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
National Consumer Law Center, Inc. and Consumer Law Building Corporation:

Opinion

We have audited the combined financial statements of National Consumer Law Center, Inc. and Consumer Law Building Corporation (Massachusetts corporations, not for profits) (collectively, the Agency), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of National Consumer Law Center, Inc. and Consumer Law Building Corporation as of December 31, 2022 and 2021, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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.

Emphasis-of-Matter

As discussed in Note 2 to the combined financial statements, effective January 1, 2022, the Agency adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, using the alternative transition method whereby comparative periods presented are not adjusted. 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

AAFCPAs, Inc.

Westborough, Massachusetts
May 22, 2023

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

Combined Statements of Financial Position
December 31, 2022 and 2021

	2022			2021		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash and cash equivalents	$ 2,566,996	$ -	$ 2,566,996	$ 1,232,019	$ -	$ 1,232,019
Short-term investments	15,614,265	4,075,228	19,689,493	21,746,756	2,722,787	24,469,543
Accounts receivable	557,129	-	557,129	427,407	-	427,407
Current portion of grants and pledges receivable	-	790,000	790,000	-	901,899	901,899
Prepaid expenses and deposits	282,068	-	282,068	236,838	-	236,838
Total current assets	19,020,458	4,865,228	23,885,686	23,643,020	3,624,686	27,267,706
Investments	17,304,256	-	17,304,256	18,238,755	-	18,238,755
Restricted Cash	344,517	-	344,517	343,669	-	343,669
Grants and Pledges Receivable, net of current portion	-	300,000	300,000	-	200,000	200,000
Right-of-use Lease Asset - Operating	615,948	-	615,948	-	-	-
Property, Plant and Equipment, net	8,559,097	-	8,559,097	8,667,521	-	8,667,521
Total assets	$ 45,844,276	$ 5,165,228	$ 51,009,504	$ 50,892,965	$ 3,824,686	$ 54,717,651
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	$ 173,997	$ -	$ 173,997	$ 173,997	$ -	$ 173,997
Accounts payable	749,651	-	749,651	375,010	-	375,010
Accrued expenses	632,838	-	632,838	585,474	-	585,474
Current portion of operating lease liability	156,744	-	156,744	-	-	-
Deferred revenue	1,032,298	-	1,032,298	853,441	-	853,441
Total current liabilities	2,745,528	-	2,745,528	1,987,922	-	1,987,922
Note Payable, net	3,593,295	-	3,593,295	3,757,014	-	3,757,014
Operating Lease Liability, net	533,464	-	533,464	-	-	-
Accrued Rent	-	-	-	65,162	-	65,162
Total liabilities	6,872,287	-	6,872,287	5,810,098	-	5,810,098
Net Assets:						
Operating fund	5,017,978	-	5,017,978	4,180,887	-	4,180,887
Program reserves	9,072,164	-	9,072,164	15,587,055	-	15,587,055
Building fund	7,056,254	-	7,056,254	6,743,402	-	6,743,402
Willard P. Ogburn Board-Designated Endowment	10,248,002	-	10,248,002	11,495,353	-	11,495,353
Property, plant and equipment	4,717,545	-	4,717,545	4,736,510	-	4,736,510
Campaign for the Future	2,540,513	795,445	3,335,958	1,903,486	1,038,579	2,942,065
Program designated	319,533	4,369,783	4,689,316	436,174	2,786,107	3,222,281
Total net assets	38,971,989	5,165,228	44,137,217	45,082,867	3,824,686	48,907,553
Total liabilities and net assets	$ 45,844,276	$ 5,165,228	$ 51,009,504	$ 50,892,965	$ 3,824,686	$ 54,717,651

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

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

Combined Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restictions	**With Donor Restrictions**	**Total**	**Without Donor Restictions**	**With Donor Restrictions**	**Total**
Support and Revenue:						
Grants, contracts and contributions	$ 3,608,176	$ 4,762,160	$ 8,370,336	$ 2,021,666	$ 2,711,744	$ 4,733,410
Publications and program revenue	3,038,763	-	3,038,763	3,515,544	-	3,515,544
Interest and dividends	668,086	-	668,086	882,374	-	882,374
Rental income	210,261	-	210,261	204,474	-	204,474
Donated services	17,469	-	17,469	13,398	-	13,398
Net assets released from restrictions	3,421,618	(3,421,618)	-	4,102,853	(4,102,853)	-
Total support and revenue	10,964,373	1,340,542	12,304,915	10,740,309	(1,391,109)	9,349,200
Expenses:						
Program services	9,851,817	-	9,851,817	8,563,572	-	8,563,572
General and administrative	1,704,731	-	1,704,731	1,300,951	-	1,300,951
Fundraising	909,643	-	909,643	839,174	-	839,174
Total expenses	12,466,191	-	12,466,191	10,703,697	-	10,703,697
Changes in net assets from operations	(1,501,818)	1,340,542	(161,276)	36,612	(1,391,109)	(1,354,497)
Non-Operating Revenue (Losses):						
Interest and dividends - Designated endowment, net	302,433	-	302,433	375,152	-	375,152
Interest and dividends - Building fund	231,593	-	231,593	267,455	-	267,455
Loss on disposal of property, plant and equipment	(3,482)	-	(3,482)	(4,413)	-	(4,413)
Net loss on investments	(5,139,604)	-	(5,139,604)	(3,078)	-	(3,078)
Total non-operating revenue (losses)	(4,609,060)	-	(4,609,060)	635,116	-	635,116
Changes in net assets	(6,110,878)	1,340,542	(4,770,336)	671,728	(1,391,109)	(719,381)
Net Assets:						
Beginning of year	45,082,867	3,824,686	48,907,553	44,411,139	5,215,795	49,626,934
End of year	$ 38,971,989	$ 5,165,228	$ 44,137,217	$ 45,082,867	$ 3,824,686	$ 48,907,553

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

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

Combined Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ (4,770,336)	$ (719,381)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	407,706	353,651
Amortization of debt issuance costs charged as interest expense	10,278	10,278
Loss on disposal of property, plant and equipment	3,482	4,413
Non-cash lease expense	161,654	-
Interest and dividends - long-term designated net assets	(534,026)	(642,607)
Net loss (gains) on investments	5,139,604	3,078
Change in discount on grants and pledges receivable	-	(137,614)
Changes in operating assets and liabilities:		
Accounts receivable	(129,722)	(201,267)
Grants and pledges receivable	11,899	923,101
Prepaid expenses and deposits	(45,230)	49,824
Accounts payable	374,641	26,042
Accrued expenses	47,364	49,488
Deferred revenue	178,857	9,051
Payments on operating lease liability	(152,556)	-
Accrued rent	-	65,162
Net cash provided by (used in) operating activities	703,615	(206,781)
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(302,764)	(741,920)
Interest and dividends - long-term designated net assets	534,026	642,607
Purchase of investments	(4,600,572)	(17,654,892)
Proceeds from sale of investments	5,175,517	14,811,215
Net cash provided by (used in) investing activities	806,207	(2,942,990)
Cash Flows from Financing Activities:		
Principal payments on note payable	(173,997)	(173,996)
Net Change in Cash, Cash Equivalents and Restricted Cash	1,335,825	(3,323,767)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	1,575,688	4,899,455
End of year	$ 2,911,513	$ 1,575,688
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 2,566,996	$ 1,232,019
Restricted cash	344,517	343,669
Total cash, cash equivalents and restricted cash	$ 2,911,513	$ 1,575,688
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 151,971	$ 158,653
Supplemental Disclosure of Non-Cash Information:		
Operating lease asset obtained in exchange for lease liability	$ 767,084	$ -

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

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

Combined Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022								2021
	Program Services					Supporting Services			
	Advocacy	Publishing	Expert Work	Conferences and Trainings	Total Program Services	General and Adminis-trative	Fundraising	Total	Total
Personnel and Related Costs:									
Advocates	$ 3,518,946	$ 540,945	$ 188,496	$ 210,191	$ 4,458,578	$ 15,816	$ -	$ 4,474,394	$ 4,256,930
Support staff	172,768	741,542	3,615	75,818	993,743	988,744	535,843	2,518,330	2,086,359
Payroll taxes and fringe benefits	1,081,931	375,858	56,302	83,821	1,597,912	294,407	157,039	2,049,358	1,936,969
Consultants - advocates	264,663	97,469	556	16,096	378,784	4,228	15,611	398,623	382,319
Total personnel and related costs	5,038,308	1,755,814	248,969	385,926	7,429,017	1,303,195	708,493	9,440,705	8,662,577
Other:									
Publications and other direct expenses	355,094	244,540	11,035	487,538	1,098,207	136,211	115,116	1,349,534	780,499
Depreciation	250,073	75,534	10,746	36,309	372,662	23,363	11,681	407,706	353,651
Consultants	158,962	17,898	12,388	55,575	244,823	74,091	-	318,914	221,007
Occupancy	232,124	5,750	1,637	490	240,001	6,920	3,190	250,111	228,241
Consumable supplies	34,378	86,249	9,292	34,590	164,509	7,000	66,605	238,114	137,365
Contract services	20,835	6,949	651	-	28,435	137,426	4,558	170,419	133,815
Interest	105,462	32,450	4,867	19,470	162,249	-	-	162,249	168,931
Travel	48,435	2,719	885	59,875	111,914	16,525	-	128,439	17,611
Total other	1,205,363	472,089	51,501	693,847	2,422,800	401,536	201,150	3,025,486	2,041,120
Total expenses	$ 6,243,671	$ 2,227,903	$ 300,470	$ 1,079,773	$ 9,851,817	$ 1,704,731	$ 909,643	$ 12,466,191	$ 10,703,697

NATIONAL CONSUMER LAW CENTER, INC. AND
CONSUMER LAW BUILDING CORPORATION

Combined Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services					Supporting Services		
	Advocacy	**Publishing**	**Expert Work**	**Conferences and Trainings**	**Total Program Services**	**General and Adminis-trative**	**Fundraising**	**Total**
Personnel and Related Costs:								
Advocates	$ 3,216,650	$ 447,650	$ 201,250	$ 160,987	$ 4,026,537	$ 216,703	$ 13,690	$ 4,256,930
Support staff	233,947	671,947	9,971	18,860	934,725	601,536	550,098	2,086,359
Payroll taxes and fringe benefits	1,053,664	341,877	64,498	54,918	1,514,957	249,855	172,157	1,936,969
Consultants - advocates	267,982	80,236	6,319	5,495	360,032	8,453	13,834	382,319
Total personnel and related costs	4,772,243	1,541,710	282,038	240,260	6,836,251	1,076,547	749,779	8,662,577
Other:								
Publications and other direct expenses	275,064	211,886	11,146	161,005	659,101	95,365	26,033	780,499
Depreciation	224,725	68,230	10,115	38,676	341,746	8,929	2,976	353,651
Consultants	131,889	36,428	8,885	3,755	180,957	19,263	20,787	221,007
Occupancy	188,335	13,948	3,970	1,188	207,441	13,360	7,440	228,241
Consumable supplies	32,313	59,519	1,764	9,700	103,296	5,785	28,284	137,365
Contract services	10,920	37,226	352	5,244	53,742	77,887	2,186	133,815
Interest	109,805	33,786	5,068	20,272	168,931	-	-	168,931
Travel	9,586	1,835	229	457	12,107	3,815	1,689	17,611
Total other	982,637	462,858	41,529	240,297	1,727,321	224,404	89,395	2,041,120
Total expenses	$ 5,754,880	$ 2,004,568	$ 323,567	$ 480,557	$ 8,563,572	$ 1,300,951	$ 839,174	$ 10,703,697

1. OPERATIONS AND NONPROFIT STATUS

National Consumer Law Center, Inc. (the Center) is a nonprofit corporation organized in October 1971. The Center principally promotes the well-being of consumers, especially those who are low-income or disadvantaged. The Center represents consumers on a national level in litigation and other forums. Through its publications and activities, the Center provides active support and assistance to lawyers and others representing the interests of consumers, as well as to legislators, community groups, law enforcement offices, and government agencies. The Center also undertakes legal research, policy studies, and non-partisan analyses on matters relating to consumer law and public policy.

The Center is the sole member of Consumer Law Building Corporation (CLBC), a nonprofit corporation. The Center and CLBC are collectively referred to as the Agency throughout these notes. The Center occupies an office condominium (the top four floors of a five-story building) in Boston's financial district (hereinafter referred to as "the Building"), which is owned by CLBC.

The Center and CLBC are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Center and CLBC are also exempt from state income taxes. Donors may deduct contributions made to the Center and CLBC within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the Center and CLBC. All significant intercompany balances and transactions have been eliminated (see Note 3).

Recently Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard requires lessees to report substantially all leases on the combined statement of financial position as right-of-use (ROU) assets and lease liabilities. The Agency adopted Topic 842 using the optional transition method provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under Topic 840. The Agency elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed the Agency to carry forward the historical lease classification as operating or capital leases. The Agency also elected not to combine lease and non-lease components and to exclude short-term leases from the combined statement of financial position. The Agency did not elect the hindsight practical expedient in determining the lease term for the existing leases as of January 1, 2022.

The adoption had a material impact on Agency's combined statement of financial position but did not have a material impact on the combined statement of activities and changes in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

The following tables summarize the combined statement of financial position line items affected by adopting Topic 842 as of January 1, 2022:

Combined Statement of Financial Position	As Previously Reported	Effect of Adoption	As Adjusted
Operating lease right-of-use asset	$ -	$ 767,084	$ 767,084
Operating lease liability	$ -	$ 832,246	$ 832,246
Accrued rent	$ 65,162	$ (65,162)	$ -

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

In 2022, the Agency adopted ASU 2020-07. The adoption of this ASU did not impact the Agency's net asset classes, results of operations, or cash flows for the year ended December 31, 2022. This ASU has been applied retrospectively to all periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts with an initial maturity of three months or less, excluding cash that is part of the investment portfolio.

Allowance for Doubtful Accounts

An allowance for potentially uncollectible grants and pledges receivable is provided based upon management's judgment of expected defaults. The determination included factors such as prior collection history and types of receivables. There was no allowance for doubtful accounts considered necessary for the years ended December 31, 2022 and 2021.

Property, Plant and Equipment and Depreciation

Property, plant and equipment (see Note 4) are recorded at cost when purchased or at market value at the date of donation. The Agency capitalizes all expenditures for property and equipment and leasehold improvements of $5,000 or greater, with a useful life in excess of one year.

Depreciation is computed using the straight-line basis over the estimated service life of the assets as follows:

Building and improvements	25 - 40 years
Electronic subscription platform	5 years
Equipment	3 - 7 years
Leasehold improvements	Life of the lease

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-Use Lease Asset - Operating and Operating Lease Liability

The Agency determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Agency determines such assets are leased because the Agency has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Agency determines it does not have the right to control and direct the use of the identified asset. The Agency's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Agency separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building. The Agency has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the combined statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Agency determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Agency uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement.

The lease term may include options to extend or to terminate the lease that the Agency is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Agency has elected not to record leases with an initial term of twelve months or less on the combined statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs have been netted with the note payable (see Note 9) and are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets without donor restrictions represent amounts which bear no external restrictions. The Board of Directors and management have segregated portions of the net assets without donor restrictions into various categories for planning and budgetary purposes as follows:

Operating fund represents amounts set aside by management to fund the highest priority work in the upcoming fiscal year.

Program reserves are amounts without donor restrictions designated by management to be used for the growth of programmatic activities.

Building fund represents funds without donor restrictions which the Board of Directors designated for the operations, management, upkeep, and improvements of the Agency's facility. In addition, the building fund includes the restricted cash (see Note 5). Investment income on this fund is retained in the fund.

Willard P. Ogburn Board-Designated Endowment represents funds set aside by the Board of Directors with a long-term time horizon. These funds may be used to stabilize the operations in remote and unusual circumstances (see Note 8). These amounts may only be used with the approval of the Board of Directors. Investment income on this fund is retained in the fund.

Property, plant and equipment represent the net book value of the Agency's property, equipment, leasehold improvements and ROU asset, net of any related debt.

Campaign for the Future is a reserve established to segregate funds raised in conjunction with the Campaign. The Campaign has an annual budget developed by management and approved by the Board as part of the Center's annual budget process.

Program designated includes funds awarded by foundations, courts, and donors to the Center, which the Center sets aside for specific special programs and projects, often of multi-year duration.

Interest on these net assets is recorded as support and revenue without donor restrictions and is available for operations without a separate vote of the Board of Directors, excluding the Willard P. Ogburn Board-Designated Endowment and Building Fund.

Net assets with donor restrictions represent amounts received or unconditionally committed with donor restrictions which have not yet been expended for their designated purpose. Net assets with donor restrictions are restricted for the following as of December 31:

	2022	2021
Program designated - general	$ 2,555,430	$ 2,200,673
Program designated - Cy Pres	1,814,353	585,434
Campaign for the Future restricted	795,445	1,038,579
Total	$ 5,165,228	$ 3,824,686

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Program restricted releases	$ 3,421,618	$ 3,002,853
Time restricted releases	-	1,100,000
Total	$ 3,421,618	$ 4,102,853

Revenue Recognition

Grants, Contracts and Contributions

In accordance with ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of the assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

The Agency 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 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 combined statements of activities and changes in net assets as net assets released from restrictions. Support without donor restrictions is recognized when received or unconditionally committed by the donor.

The Center receives support from foundations (grants) and from public and private nonprofit agencies under fixed-price and cost-reimbursable agreements (contracts). Grants and contracts revenue are recognized as support when services are rendered, or costs are incurred.

During 2022 and 2021, the Center expended $294,318 and $282,283, respectively, of funds provided by Massachusetts Legal Assistance Corporation (MLAC) for various Center programs. Under the Center's grant agreement with MLAC, the Center agrees to follow MLAC's restrictions with respect to the use or disposition of net assets, records, equipment, supplies, or property purchased with MLAC funds. This will be applicable if the Center's funding is terminated before the expected expiration date of the grant, or if the Center ceases to receive funds from MLAC after the funding period. As of December 31, 2022 and 2021, there were no net assets without donor restrictions applicable to MLAC funding.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants, Contracts and Contributions (Continued)

Court awards are included in grants, contracts and contributions in the accompanying combined statements of activities and changes in net assets. When a court award 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 combined statements of activities and changes in net assets as net assets released from restrictions. Court awards without donor restrictions are recognized when received.

Exchange Transactions

The Agency evaluates its revenue contracts with customers based on the five-step model under FASB's ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Publications and program revenue included in the accompanying combined statements of activities and changes in net assets consist of the following at December 31:

	2022	2021
Publications	$ 2,214,487	$ 2,288,271
Conference	740,045	478,388
Attorney fees	53,204	657,706
Advice and honorarium	31,027	91,179
Total publications and program revenue	$ 3,038,763	$ 3,515,544

The Center offers subscriptions for access to its publications. The subscription is deemed to be a single performance obligation upon contract execution. The performance obligation (the subscription) is satisfied over time as services are provided. Revenue for the subscriptions is recognized ratably over the term of the subscription.

Attorney fees are amounts which are generally awarded by the courts and paid by defendants following the representation of low-income and elderly clients in litigation. Attorney fees are recognized at that point in time when received. The amounts to be received, if any, cannot be determined, and are therefore not reflected in the accompanying combined financial statements until received.

Conferences are deemed to be a single performance obligation upon the conference being held. Revenue for conferences is recognized at a point in time when the conference is held.

Advice and honorarium are deemed to be a single performance obligation upon contract execution. The performance obligation is satisfied based over time as services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Exchange Transactions (Continued)

Services provided in advance of receiving the associated fee are recorded as accounts receivable in the accompanying consolidated statements of financial position until the payment is made by the customer. Accounts receivable as of January 1, 2021, was $224,793. Fees received in advance of services provided are recorded as deferred revenue in the accompanying combined statements of financial position. Deferred revenue as of January 1, 2021, was $844,390.

All other revenue is recognized when earned.

Donated Services

Donated services are reflected as contributions at their fair value at date of donation and are reported as operating revenue and without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as donated services in the accompanying combined statements of activities and changes in net assets. The Agency recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Agency is the recipient of in-kind legal services. These services have been valued at $17,469 and $13,398 for the years ended December 31, 2022 and 2021, respectively, and are included in consultants - advocates expense in the accompanying combined statements of functional expenses. These services are valued at the standard hourly rates charged for the services.

The Agency's policy related to donated services is to utilize the donated services to carry out the mission of the Agency.

All in-kind gifts received by the Agency for the years ended December 31, 2022 and 2021, were considered without donor restriction and able to be used by the Agency as determined by management.

Allocation of Expenses

Certain expenses are incurred which support the work performed under more than one grant or contract. Such expenses are allocated among the various grants and contracts based upon management's calculation of the amount attributable to each grant or contract. Expenses incurred for specific grants or contracts are charged directly to the applicable project.

The combined financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include advocates, support staff, and fringe benefits and payroll taxes, which are allocated based on a tracking of time spent on the Agency's program and supporting functions and occupancy and depreciation, which are allocated based on the square footage utilized by a function.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of the related services of the Agency are reported as support and revenue and expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenue (loss) consists of investment and capital activity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash Equivalents

Cash equivalents include money market accounts with original maturities of three months or less, except that such instruments purchased with endowment assets are classified as investments. Cash equivalents are considered Level 1 in the fair value hierarchy.

Investments

Investments are recorded in the combined financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in equities are based on share prices reported by the funds as of the last business day of the fiscal year. A summary of inputs used in valuing the Agency's investments as of December 31, 2022 and 2021, is included in Note 7.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2022 and 2021. The Agency's informational tax returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 22, 2023, which is the date the combined financial statements were available to be issued. There were no subsequent events that met the criteria for recognition or disclosure in the accompanying combined financial statements.

3. RELATED PARTY TRANSACTIONS

The Center leases its building from CLBC. Rent expense for the Center under this agreement totaled approximately $780,000 for the years ended December 31, 2022 and 2021. From time-to-time, certain transactions are paid or collected on behalf of one another. At December 31, 2022 and 2021, the Center owed $167,386 and $161,351, respectively, for rent and operating expenses to CLBC. No amounts were owed from CLBC to the Center at December 31, 2022 and 2021. These amounts have been eliminated in the accompanying combined financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

	2022	2021
Building and improvements	$ 11,215,858	$ 11,215,858
Electronic subscription platform	959,858	1,251,426
Equipment	471,760	450,017
Leasehold improvements	228,195	228,195
	12,875,671	13,145,496
Less - accumulated depreciation	4,316,574	4,477,975
	$ 8,559,097	$ 8,667,521

5. RESTRICTED CASH

In accordance with CLBC's note payable agreement described in Note 9, the Center has funded an interest reserve. The Center must maintain the interest reserve equal to twelve-months of interest payments. Funds cannot be withdrawn from this reserve without written consent from the bank that is servicing the loan. This reserve was adequately funded at December 31, 2022 and 2021.

6. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are due as follows at December 31:

	2022	2021
Due within one year	$ 790,000	$ 901,899
Due in one to five years	300,000	200,000
	1,090,000	1,101,899
Less - current portion	790,000	901,899
Grants and pledges receivable, net	$ 300,000	$ 200,000

Grants and pledges receivable due in greater than one year were not discounted at December 31, 2022 and 2021, as the discount would be immaterial to the combined financial statements.

A total of 87% and 74% of grants and pledges receivable were due from three donors at December 31, 2022 and 2021, respectively.

7. INVESTMENTS

The following table presents the Agency's investments by level within the fair value framework as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,100,269	$ -	$ -	$ 3,100,269
Fixed income:				
Intermediate-term bond	13,540,516	-	-	13,540,516
Short-term bond	1,352,112	-	-	1,352,112
Other	9,640,373	-	-	9,640,373
Equities:				
Large cap	4,318,474	-	-	4,318,474
Other	4,295,518	-	-	4,295,518
Managed futures	-	746,487	-	746,487
Total	$ 36,247,262	$ 746,487	$ -	$ 36,993,749

7. INVESTMENTS (Continued)

The following table presents the Agency's investments by level within the fair value framework as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,775,237	$ -	$ -	$ 3,775,237
Fixed income:				
Intermediate-term bond	16,018,726	-	-	16,018,726
Short-term bond	2,722,774	-	-	2,722,774
Other	8,980,901	-	-	8,980,901
Equities:				
Large cap	5,307,619	-	-	5,307,619
Other	5,129,275	-	-	5,129,275
Managed futures	-	773,766	-	773,766
Total	$ 41,934,532	$ 773,766	$ -	$ 42,708,298

Level 2 investments consist of managed futures. The value for these managed futures is determined using other observable inputs such as pricing models, quoted prices of securities with similar characteristics, or a pricing matrix. The Agency believes that the reported amount of these investments is a reasonable estimate of fair value as of December 31, 2022 and 2021. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

Investments are not insured and are subject to ongoing market fluctuations. Investments are presented as either current or long-term in the accompanying combined statements of financial position based on management's intent.

8. ENDOWMENT

During 2014, the Board of Directors set aside $5,000,000 to establish the Willard P. Ogburn Board-Designated Endowment (the Endowment). From time to time, the Board may designate additional contributions or donors may designate their contributions be allocated to the Board designated fund. There has been no spending from the Endowment since its inception. The Center has developed a strategy for the Endowment with the goals of safeguarding the corpus to ensure the long-term financial stability of the Center and ensuring that the Endowment amounts available for spending are stable and predictable.

Funds available for distribution from the Endowment, as approved by the Board, will be determined by using a total return principle. Distributions from the Endowment can be drawn down in the middle of the fiscal/budgetary year. Distributions will be limited to 4% of the market value of the preceding twelve quarters corpus based on a three-year rolling average. If the Board determines that the funds are not needed for the current year's operating budget, they will remain in the fund.

8. ENDOWMENT (Continued)

Changes in endowment net assets are as follows for the years ended December 31, 2022 and 2021:

	Without Donor Restrictions	
	2022	**2021**
Endowment net assets, beginning of year	$ 11,495,353	$ 9,714,980
Investment return:		
Investment income	339,134	414,410
Net realized gain (loss)	(164,591)	573,031
Net unrealized loss	(1,483,462)	(592,644)
Investment management fees	(36,701)	(39,258)
Total investment return	(1,345,620)	355,539
Contributions	98,269	324,834
Board designation of time restricted releases	-	1,100,000
Endowment net assets, end of year	$ 10,248,002	$ 11,495,353

9. NOTE PAYABLE

CLBC has a $6,400,000 note payable with a bank through the issuance of a tax-exempt revenue bond from Massachusetts Development Finance Agency (MDFA). Monthly payments of approximately $14,500 are due through maturity. The interest rate of 3.84% remains in effect through January 2024, at which point the rate shall adjust to 65% of the sum of the Federal Home Loan Bank rate, plus 2%. The rate adjusts again under the same terms on January 1, 2029. Principal payments are subject to prepayment penalties ranging from zero to 3% of the principal repayment as described in the agreement. The loan maturity date is in March 2033, at which time any principal and interest outstanding must be paid. The balance of this note was $3,863,345 and $4,037,342 at December 31, 2022 and 2021, respectively. The financing fees of $242,467 are amortizing over the life of the note at approximately $10,280 per year. The accumulated amortization of financing fees at December 31, 2022 and 2021, was $146,414 and $136,136, respectively.

Note payable in the accompanying combined statements of financial position are as follows as of December 31:

	2022	**2021**
Note payable	$ 3,863,345	$ 4,037,342
Less - current portion	173,997	173,997
Less - unamortized financing fees	96,053	106,331
	$ 3,593,295	$ 3,757,014

9. NOTE PAYABLE (Continued)

Future minimum principal payments relating to the note payable for the next five years are as follows:

Year	Principal Payments
2023	$ 173,997
2024	$ 173,997
2025	$ 173,997
2026	$ 173,997
2027	$ 173,997

Amortization of debt issuance costs is expected to be approximately $10,300 for the next five years.

The note is guaranteed by the Center and is secured by a first mortgage on CLBC's building and an assignment of all leases and rents.

This note payable agreement contains various covenants with which the Agency must comply. The Agency was not in compliance with these covenants at December 31, 2022, and obtained a waiver. The Agency was in compliance with these covenants as December 31, 2021.

Total interest expense under this note, excluding amortization of debt issuance costs, was $151,971 and $158,653 for the years ended December 31, 2022 and 2021, respectively.

10. LEASE COMMITMENTS

The Center leases space for its branch office under a lease agreement with monthly payments of $12,496 and $9,506 for the years ended December 31, 2022 and 2021, respectively. The Center is responsible for certain variable costs as defined in the agreement. The lease expires on April 30, 2027. During 2021, the Center received a rent abatement for five months of rent under the lease agreement.

Topic 840 - 2021

The Center recognizes rent expense on a straight-line basis over the term of the lease in accordance with the *Accounting for Leases (Topic 840)* standard under U.S. GAAP. As of December 31, 2021, accrued rent was $65,162.

The future minimum cash rental payments of the Center under this lease agreement are as follows as of December 31, 2021:

2022	$ 152,556
2023	156,744
2024	161,054
2025	165,485
2026	170,038
Thereafter	57,190
Total	$ 863,067

The Center's rent expense was approximately $143,000 in 2021 and is included in occupancy in the accompanying combined statement of functional expense.

10. LEASE COMMITMENTS (Continued)

Topic 842 - 2022

As disclosed in Note 2, the Agency adopted Topic 842 as of January 1, 2022. The Agency's branch office lease is required to be included in the accompanying combined statement of financial position under Topic 842.

Operating leases are shown as ROU lease asset - operating and operating lease liability in the accompanying combined statement of financial position. Total operating lease expense totaled approximately $147,000 and is included in occupancy in the accompanying 2022 combined statement of functional expenses. Variable lease costs for the operating lease totaled approximately $3,000 for the year ended December 31, 2022, and is included in occupancy in the accompanying 2022 combined statement of functional expenses.

The balance of the ROU lease asset - operating was comprised of the following as of December 31, 2022:

Lease liability	$ 690,208
Deferred rent	(74,260)
ROU lease asset - operating	$ 615,948

The operating lease liability has been discounted to the net present value using the risk-free discount rate of 1.37% as of December 31, 2022.

The maturities of lease liability as of December 31, 2022, are as follows:

2023	$ 156,744
2024	161,054
2025	165,485
2026	170,038
2027	57,190
Total future undiscounted lease payments	710,511
Less present value discount	(20,303)
Present value of lease liability	$ 690,208

As of December 31, 2022, there were no material leases that have been executed but not yet commenced.

Sublease

Effective September 2018, a portion of the Center's space is being sublet under a five-year agreement that expires in September 2023, which required initial annual rent of $190,968, increasing annually as defined in the agreement. The base annual sublease income under the lease was $210,261 and $204,474 for the years ended December 31, 2022 and 2021, respectively, and is reflected as rental income in the accompanying combined statements of activities and changes in net assets. The tenant is required to pay operating expenses as outlined in the lease agreement. During 2022, this agreement was extended for an additional four years through August 31, 2027.

10. LEASE COMMITMENTS (Continued)

Sublease

The scheduled minimum future sublease payments under the lease terms are as follows as of December 31, 2022:

2023	$ 216,048
2024	$ 221,835
2025	$ 227,622
2026	$ 233,409
2027	$ 158,178

11. LINE OF CREDIT AGREEMENT

The Center has a $500,000 line of credit agreement with a bank. Outstanding borrowings under this agreement bear interest at 7.5% and 3.5% at December 31, 2022 and 2021, respectively. Borrowings are secured by all of the Center's assets. This line of credit agreement contains various covenants with which the Center must comply. The Center was in compliance with these covenants at December 31, 2022 and 2021. As of December 31, 2022 and 2021, there were no borrowings on the available line of credit. This agreement is renewable annually, with the next renewal in June 2023.

12. RETIREMENT PLANS

The Center sponsors a defined contribution retirement plan under IRC Section 403(b). All employees who have completed one year of service are eligible to participate in the plan. The Center's Board of Directors, at its discretion, may elect to contribute to the plan annually. The plan does not allow for participant contributions. Employer contributions vest immediately and are allocated to participant's accounts, as defined in the plan.

During the years ended December 31, 2022 and 2021, the Center, with the Board of Directors' approval, contributed $312,772 and $292,852, respectively, to the plan, which is included in payroll taxes and fringe benefits in the accompanying combined statements of functional expenses.

The Center maintains an additional tax deferred annuity plan established under IRC Section 403(b). Under this plan, participants may elect to have amounts withheld from their pay on a "pre-tax" basis, up to the limits allowed by the IRC. Employees may elect to participate in this plan upon employment at the Center. The Center does not contribute to this plan.

13. GOVERNMENT FUNDING

The Center occasionally receives a portion of its funding under contracts either directly from a government agency or from subcontractors. This funding aggregated approximately $79,000 in 2022 and 2021. In the opinion of management, these contracts have been expended in accordance with the respective terms contained in the contract agreements. These contracts are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Center as of December 31, 2022 and 2021, or on the changes in its net assets for the years then ended.

14. CONCENTRATIONS

The Agency maintains its cash and cash equivalents in various financial institutions insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on its cash and cash equivalents. The Agency performs periodic evaluations of the relative credit standings and limits the amount of credit exposure with these financial institutions.

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency's financial assets available within one year from the combined statements of financial position date for general operating expenses are as follows as of December 31:

	2022	**2021**
Cash and cash equivalents	$ 2,566,996	$ 1,232,019
Short-term investments	19,689,493	24,469,543
Accounts receivable	557,129	427,407
Current portion of grants and pledges receivable	790,000	901,899
Total financial assets	23,603,618	27,030,868
Contractual or donor-imposed restrictions:		
Less - board designated funds, included in above amounts	(2,860,046)	(2,339,660)
Less - donor contributions restricted to specific purposes, included in above amounts	(4,865,228)	(3,624,686)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,878,344	$ 21,066,522

The Agency invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Agency also could draw upon $500,000 of an available line of credit (see Note 11). The Agency has two unpredictable and highly variable funding sources - attorney fee awards and cy pres. The Agency manages the uncertainty of these income streams by budgeting operating expenses very carefully and maintaining enough reserves on hand to fund priority work should one or both of these sources dwindle. Funds intended for use in the next fiscal year are set aside in the Operating Fund, while amounts in excess of that are intended for future use.