National Consumer Law Center

Fighting Together for Economic Justice

AND CONSUMER LAW BUILDING CORPORATION

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Contents
December 31, 2021 and 2020

AAFCPAs
great minds | great hearts

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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, 2021 and 2020, 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, 2021 and 2020, 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 Combined 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.

Responsibilities of Management for the Combined 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 Combined 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.

Auditor's Responsibilities for the Audit of the Combined Financial Statements (Continued)

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
April 28, 2022

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

Combined Statements of Financial Position
December 31, 2021 and 2020

	2021			2020		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash and cash equivalents	$ 1,755,814	$ 2,722,787	$ 4,478,601	$ 1,228,223	$ 3,328,409	$ 4,556,632
Short-term investments	21,222,961	-	21,222,961	23,736,935	-	23,736,935
Accounts receivable	426,060	-	426,060	224,793	-	224,793
Current portion of grants and pledges receivable	-	901,899	901,899	-	775,000	775,000
Prepaid expenses and deposits	236,838	-	236,838	286,662	-	286,662
Total current assets	23,641,673	3,624,686	27,266,359	25,476,613	4,103,409	29,580,022
Investments	18,238,755	-	18,238,755	16,130,764	-	16,130,764
Restricted Cash	343,669	-	343,669	342,823	-	342,823
Grants and Pledges Receivable, net of current portion	-	200,000	200,000	-	1,112,386	1,112,386
Property, Plant and Equipment, net	8,667,521	-	8,667,521	8,283,665	-	8,283,665
Total assets	$ 50,891,618	$ 3,824,686	$ 54,716,304	$ 50,233,865	$ 5,215,795	$ 55,449,660
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	$ 173,997	$ -	$ 173,997	$ 173,997	$ -	$ 173,997
Accounts payable	373,663	-	373,663	347,621	-	347,621
Accrued expenses	585,474	-	585,474	535,986	-	535,986
Deferred revenue	853,441	-	853,441	844,390	-	844,390
Total current liabilities	1,986,575	-	1,986,575	1,901,994	-	1,901,994
Note Payable, net of current portion and unamortized debt issuance costs	3,757,014	-	3,757,014	3,920,732	-	3,920,732
Accrued Rent	65,162	-	65,162	-	-	-
Total liabilities	5,808,751	-	5,808,751	5,822,726	-	5,822,726
Net Assets:						
Operating fund	4,180,887	-	4,180,887	5,844,714	-	5,844,714
Program reserves	15,587,055	-	15,587,055	15,912,812	-	15,912,812
Building fund	6,743,402	-	6,743,402	6,415,784	-	6,415,784
Willard P. Ogburn Board-Designated Endowment	11,495,353	-	11,495,353	9,714,980	962,386	10,677,366
Property, plant and equipment	4,736,510	-	4,736,510	4,188,936	-	4,188,936
Campaign for the Future	1,903,486	1,038,579	2,942,065	1,706,144	981,079	2,687,223
Program designated	436,174	2,786,107	3,222,281	627,769	3,272,330	3,900,099
Total net assets	45,082,867	3,824,686	48,907,553	44,411,139	5,215,795	49,626,934
Total liabilities and net assets	$ 50,891,618	$ 3,824,686	$ 54,716,304	$ 50,233,865	$ 5,215,795	$ 55,449,660

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, 2021 and 2020

	2021			2020		
	Without Donor Restictions	**With Donor Restrictions**	**Total**	**Without Donor Restictions**	**With Donor Restrictions**	**Total**
Support and Revenue:						
Grants, contracts and contributions	$ 2,035,064	$ 2,711,744	$ 4,746,808	$ 6,093,432	$ 3,137,709	$ 9,231,141
Publications and program revenue	3,515,544	-	3,515,544	3,362,079	-	3,362,079
Interest and dividends	882,374	-	882,374	761,016	-	761,016
Rental income	204,474	-	204,474	200,079	-	200,079
Net assets released from restrictions	4,102,853	(4,102,853)	-	2,145,950	(2,145,950)	-
Total support and revenue	10,740,309	(1,391,109)	9,349,200	12,562,556	991,759	13,554,315
Expenses:						
Program services	8,563,572	-	8,563,572	8,213,472	-	8,213,472
General and administrative	1,300,951	-	1,300,951	1,353,113	-	1,353,113
Fundraising	839,174	-	839,174	774,366	-	774,366
Total expenses	10,703,697	-	10,703,697	10,340,951	-	10,340,951
Changes in net assets from operations	36,612	(1,391,109)	(1,354,497)	2,221,605	991,759	3,213,364
Non-Operating Revenue:						
Interest and dividends - Designated endowment, net	375,152	-	375,152	264,959	-	264,959
Interest and dividends - Building fund	267,455	-	267,455	278,399	-	278,399
Net gains (loss) on investments	(3,078)	-	(3,078)	1,439,820	-	1,439,820
Loss on sale of property, plant and equipment	(4,413)	-	(4,413)	-	-	-
Total non-operating revenue	635,116	-	635,116	1,983,178	-	1,983,178
Changes in net assets	671,728	(1,391,109)	(719,381)	4,204,783	991,759	5,196,542
Net Assets:						
Beginning of year	44,411,139	5,215,795	49,626,934	40,206,356	4,224,036	44,430,392
End of year	$ 45,082,867	$ 3,824,686	$ 48,907,553	$ 44,411,139	$ 5,215,795	$ 49,626,934

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

Combined Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	$ (719,381)	$ 5,196,542
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	353,651	419,078
Amortization of debt issuance costs charged as interest expense	10,278	10,278
Loss on sale of property, plant and equipment	4,413	-
Interest and dividends - long-term designated net assets	(642,607)	(543,358)
Net loss (gains) on investments	3,078	(1,439,820)
Change in discount on grants and pledges receivable	(137,614)	(31,257)
Changes in operating assets and liabilities:		
Accounts receivable	(201,267)	99,260
Grants and pledges receivable	923,101	(249,251)
Prepaid expenses and deposits	49,824	(139,753)
Accounts payable	26,042	(458,632)
Accrued expenses	49,488	123,041
Deferred revenue	9,051	(62,669)
Accrued rent	65,162	-
Net cash provided by (used in) operating activities	(206,781)	2,923,459
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(741,920)	(330,226)
Interest and dividends - long-term designated net assets	642,607	543,358
Purchase of investments	(14,408,310)	(10,372,886)
Proceeds from sale of investments	14,811,215	7,382,654
Net cash provided by (used in) investing activities	303,592	(2,777,100)
Cash Flows from Financing Activities:		
Principal payments on note payable	(173,996)	(173,998)
Net Change in Cash, Cash Equivalents and Restricted Cash	(77,185)	(27,639)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	4,899,455	4,927,094
End of year	$ 4,822,270	$ 4,899,455
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 4,478,601	$ 4,556,632
Restricted cash	343,669	342,823
Total cash, cash equivalents and restricted cash	$ 4,822,270	$ 4,899,455
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 158,653	$ 165,334
Non-cash transactions:		
Cost basis of disposed property, plant and equipment	$ 47,761	$ -

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, 2021
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021								2020
	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	$ 3,216,650	$ 447,650	$ 201,250	$ 160,987	$ 4,026,537	$ 216,703	$ 13,690	$ 4,256,930	$ 4,282,519
Support staff	233,947	671,947	9,971	18,860	934,725	601,536	550,098	2,086,359	1,871,754
Payroll taxes and fringe benefits	1,053,664	341,877	64,498	54,918	1,514,957	249,855	172,157	1,936,969	1,685,335
Consultants - advocates	267,982	80,236	6,319	5,495	360,032	8,453	13,834	382,319	354,464
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	8,194,072
Other:									
Publications and other direct expenses	275,064	211,886	11,146	161,005	659,101	95,365	26,033	780,499	786,161
Depreciation	224,725	68,230	10,115	38,676	341,746	8,929	2,976	353,651	419,078
Occupancy	188,335	13,948	3,970	1,189	207,441	13,360	7,440	228,241	193,702
Consultants	131,889	36,428	8,885	3,755	180,957	19,263	20,787	221,007	292,913
Interest	109,805	33,786	5,068	20,272	168,931	-	-	168,931	175,612
Consumable supplies	32,313	59,519	1,764	9,700	103,296	5,785	28,284	137,365	119,021
Contract services	10,920	37,226	352	5,244	53,742	77,887	2,186	133,815	130,480
Travel	9,586	1,835	229	457	12,107	3,815	1,689	17,611	29,912
Total other	982,637	462,858	41,529	240,297	1,727,321	224,404	89,395	2,041,120	2,146,879
Total expenses	$ 5,754,880	$ 2,004,568	$ 323,567	$ 480,557	$ 8,563,572	$ 1,300,951	$ 839,174	$ 10,703,697	$ 10,340,951

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

Combined Statement of Functional Expenses
For the Year Ended December 31, 2020

	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	$ 3,203,224	$ 478,377	$ 203,113	$ 173,955	$ 4,058,669	$ 212,968	$ 10,882	$ 4,282,519
Support staff	162,721	621,600	9,559	13,328	807,208	546,551	517,995	1,871,754
Payroll taxes and fringe benefits	921,757	301,226	58,240	51,287	1,332,510	207,993	144,832	1,685,335
Consultants - advocates	255,449	75,226	9,374	2,250	342,299	4,684	7,481	354,464
Total personnel and related costs	4,543,151	1,476,429	280,286	240,820	6,540,686	972,196	681,190	8,194,072
Other:								
Publications and other direct expenses	248,410	282,866	10,683	137,123	679,083	79,048	28,030	786,161
Depreciation	256,768	77,860	11,307	39,644	385,578	20,472	13,028	419,078
Occupancy	161,569	11,235	3,198	958	176,960	10,774	5,968	193,702
Consultants	54,392	75,000	-	38,862	168,254	119,909	4,750	292,913
Interest	114,148	35,122	5,268	21,073	175,612	-	-	175,612
Consumable supplies	32,875	4,869	917	16,745	55,406	24,835	38,780	119,021
Contract services	10,481	2,994	374	374	14,223	113,637	2,620	130,480
Travel	11,737	1,286	-	4,647	17,670	12,242	-	29,912
Total other	890,380	491,233	31,747	259,426	1,672,786	380,917	93,176	2,146,879
Total expenses	$ 5,433,531	$ 1,967,662	$ 312,033	$ 500,246	$ 8,213,472	$ 1,353,113	$ 774,366	$ 10,340,951

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 Consolidation

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets without donor restrictions (Continued)

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 and leasehold improvements, net of any 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:

	2021	**2020**
Program designated	$ 2,200,672	$ 3,088,640
Campaign for the Future restricted	1,038,580	981,079
Cy Pres	585,434	183,690
Time restricted	-	962,386
Total	$ 3,824,686	$ 5,215,795

The time restricted net assets with donor restrictions represent a pledge commitment from a donor that is time restricted. The Board's intent is to designate these funds to the Willard P. Ogburn Board-Designated Endowment. As the time restriction lapses, the funds are transferred to the Willard P. Ogburn Board-Designated Endowment in net assets without donor restrictions. As of December 31, 2020, the remaining balance of the time restricted net assets with donor restrictions are included in pledges receivable in the accompanying 2020 combined statement of financial position. This pledge was received in full in fiscal year 2021 and the balance was added to the William P. Ogburn Board-Designated Endowment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets with donor restrictions (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:

	2021	2020
Program restricted releases	$ 3,002,853	$ 2,045,950
Time restricted releases	1,100,000	100,000
Total	$ 4,102,853	$ 2,145,950

Revenue Recognition

Grants, Contracts and Contributions

In accordance with Accounting Standards Update (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 2021 and 2020, the Center expended $282,283 and $200,516, 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, 2021 and 2020, 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 is 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:

	2021	2020
Publications	$ 2,288,271	$ 2,277,753
Attorney fees	657,706	509,153
Conference	478,388	435,394
Advice and honorarium	91,179	139,779
Total publications and program revenue	$ 3,515,544	$ 3,362,079

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.

Services provided in advance of receiving the associated fee are recorded as receivables until the payment is made by the customer. Fees received in advance of services provided are recorded as deferred revenue in the accompanying combined statements of financial position.

All other revenue is recognized when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

An allowance for potentially uncollectible publications and other accounts receivable was 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, 2021 and 2020.

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 and support staff, 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 and losses consists of investment and capital activity.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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, 2021 and 2020, is included in Note 7.

All Other Assets and Liabilities

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

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
Equipment	3 - 7 years
Electronic subscription platform	5 years
Leasehold improvements	Life of the lease

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In-Kind Services

The Agency is the recipient of in-kind legal services. These services have been valued at $13,398 and $39,007 for the years ended December 31, 2021 and 2020, respectively, as determined by the Agency, and are included in grants, contracts and contributions in the accompanying combined statements of activities and changes in net assets and consultants expense in the accompanying combined statements of functional expenses.

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, 2021 and 2020. The Agency's informational tax returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 28, 2022, 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 during 2021 and 2020 (see Note 10). From time-to-time, certain transactions are paid or collected on behalf of one another. At December 31, 2021 and 2020, the Center owed $161,351 and $65,000, respectively, for rent and operating expenses to CLBC. At December 31, 2020, CLBC owed the Center $8,824 for operating expenses paid on their behalf. No amounts were owed from CLBC to the Center at December 31, 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:

	2021	2020
Building and improvements	$ 11,215,858	$ 11,222,258
Electronic subscription platform	1,251,426	722,454
Equipment	450,017	285,860
Leasehold improvements	228,195	220,765
	13,145,496	12,451,337
Less - accumulated depreciation	4,477,975	4,167,672
	$ 8,667,521	$ 8,283,665

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, 2021 and 2020.

6. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2021 and 2020, are recorded at their net present value using a 3% discount rate against the long-term portion of the grants and pledges. Grants and pledges receivable are due as follows at December 31:

	2021	2020
Due within one year	$ 901,899	$ 775,000
Due in one to five years	200,000	650,000
Due in more than five years	-	600,000
	1,101,899	2,025,000
Less - discount	-	137,614
Less - current portion	901,899	775,000
Grants and pledges receivable, net	$ 200,000	$ 1,112,386

A total of 74% and 79% of grants and pledges receivable were due from three donors at December 31, 2021 and 2020, respectively.

Grants and pledges receivable due in greater than one year were discounted using a discount rate of 2.48% at December 31, 2020. There was no discount at December 31, 2021, as the discount would be immaterial to the combined financial statements.

7. INVESTMENTS

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	$ 528,655	$ -	$ -	$ 528,655
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	$ 38,687,950	$ 773,766	$ -	$ 39,461,716

	2020			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 414,764	$ -	$ -	$ 414,764
Fixed income:				
Intermediate-term bond	12,743,020	-	-	12,743,020
Short-term bond	13,044,767	-	-	13,044,767
Other	3,362,819	-	-	3,362,819
Equities:				
Large cap	4,966,478	-	-	4,966,478
Other	4,374,937	-	-	4,374,937
Managed futures	-	960,914	-	960,914
Total	$ 38,906,785	$ 960,914	$ -	$ 39,867,699

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, 2021 and 2020. 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). 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.

8. ENDOWMENT (Continued)

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.

Changes in endowment net assets are as follows for the years ended December 31, 2021 and 2020:

	Without Donor Restrictions	
	2021	2020
Endowment net assets, beginning of year	$ 9,714,980	$ 8,884,641
Investment return:		
Investment income	414,410	300,458
Net realized gain (loss)	573,031	(487,887)
Net unrealized gain (loss)	(592,644)	600,007
Investment management fees	(39,258)	(35,499)
Total investment return	355,539	377,079
Contributions	324,834	384,517
Board designation of time restricted releases	1,100,000	68,743
Endowment net assets, end of year	$ 11,495,353	$ 9,714,980

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, 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 $4,037,342 and $4,211,338 at December 31, 2021 and 2020, 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, 2021 and 2020, was $136,136 and $125,858, respectively.

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

	2021	2020
Note payable	$ 4,037,342	$ 4,211,338
Less - current portion	173,997	173,997
Less - unamortized financing fees	106,331	116,609
	$ 3,757,014	$ 3,920,732

9. NOTE PAYABLE (Continued)

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

Year	Principal Payments
2022	$ 173,997
2023	$ 173,997
2024	$ 173,997
2025	$ 173,997
2026	$ 173,997

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 in compliance with these covenants at December 31, 2021 and 2020.

Total interest expense under this note, excluding amortization of debt issuance costs, was $158,653 and $165,334 for the years ended December 31, 2021 and 2020, respectively.

10. LEASE COMMITMENTS

In March 2008, the Center entered into a twenty-five-year lease agreement with CLBC. The Center has the option to extend this lease for an additional five-year period. Rent of $65,000 was payable monthly through December 31, 2019, at which time the rent could be adjusted to the then market rent. There was no adjustment to the market rent for the years ended December 31, 2021 and 2020.

The Center also 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, 2021 and 2020, respectively. The lease expires on April 30, 2027, as extended. During 2021, the Center received a rent abatement for five months of rent under the amended lease agreement. The Center recognizes rent expense on a straight-line basis over the term of the lease in accordance with the *Accounting for Leases* 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 these lease agreements, excluding any market value adjustment under the CLBC lease, are as follows:

	CLBC	Branch Office	Total
2022	$ 780,000	$ 149,951	$ 936,951
2023	780,000	149,951	936,951
2024	780,000	149,951	936,951
2025	780,000	149,951	936,951
2026	780,000	149,951	936,951
Thereafter	5,509,000	49,983	5,558,984
Total	$ 9,444,000	$ 799,738	$ 10,243,738

10. LEASE COMMITMENTS (Continued)

The Center's rent expense was approximately $997,000 and $973,000 in 2021 and 2020, respectively. Rent expense and rental income as it relates to the Building has been eliminated in the accompanying combined financial statements.

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 $204,474 and $200,075 for the years ended December 31, 2021 and 2020, respectively, and is included in 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.

The future rent for the remainder of the sublease term under this lease agreement is as follows:

2022	$ 210,260
2023	142,744
Total	$ 353,004

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 3.5% and 3.25% at December 31, 2021 and 2020, 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, 2021 and 2020. As of December 31, 2021 and 2020, there were no borrowings on the available line of credit. This agreement expires on June 30, 2022, and is renewable annually.

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, 2021 and 2020, the Center, with the Board of Directors' approval, contributed $292,852 and $224,657, 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 2021 and 2020. 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, 2021 and 2020, 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. Included in cash and cash equivalents is $2,129,396 and $2,531,489, which are cash accounts held with an investment company which are not insured as of December 31, 2021 and 2020, respectively.

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:

	2021	2020
Cash and cash equivalents	$ 4,478,601	$ 4,556,632
Short-term investments	21,222,961	23,736,935
Accounts receivable	426,060	224,793
Current portion of grants and pledges receivable	901,899	775,000
Total financial assets	27,029,521	29,293,360
Contractual or donor-imposed restrictions:		
Less - donor contributions restricted to specific purposes, excluding 2021 and 2020 time releases	(3,824,686)	(4,253,409)
Financial assets available to meet cash needs for general expenditures within one year	$ 23,204,835	$ 25,039,951

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 available lines 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.