

Community Law Center, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



Community Law Center, Inc.

Table of Contents

Years Ended December 31, 2020 and 2019

	<u>PAGE</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 – 12



Independent Auditors' Report

To the Board of Directors
Community Law Center, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Community Law Center, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and change in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

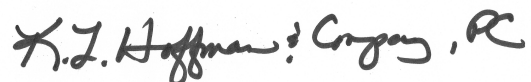
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

To the Board of Directors
Community Law Center, Inc.
Page 2 of 2

Opinion

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

A handwritten signature in black ink that reads "K. J. Hoffman & Company, PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

May 17, 2021

Community Law Center, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 172,498	\$ 179,847
Accounts receivable	-	700
Grants receivable	36,948	22,246
Contributions receivable	43,430	5,630
Prepaid expenses and deposits	16,225	20,752
Furniture and equipment, net	<u>3,302</u>	<u>6,466</u>
Total assets	<u>272,403</u>	<u>235,641</u>
LIABILITIES AND NET ASSETS		
Accounts payable	1,601	2,772
Accrued expenses	28,583	27,720
Deferred revenue	1,243	4,305
Note payable	<u>80,800</u>	<u>-</u>
Total liabilities	<u>112,227</u>	<u>34,797</u>
Net assets:		
Donor undesignated	124,038	195,844
Donor designated	<u>36,138</u>	<u>5,000</u>
Total net assets	<u>160,176</u>	<u>200,844</u>
Total liabilities and net assets	<u>\$ 272,403</u>	<u>\$ 235,641</u>

See the independent auditors' report and accompanying notes.

Community Law Center, Inc.

Statements of Activities and Change in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 258,271	\$ 36,138	\$ 294,409	\$ 309,774	\$ 5,000	\$ 314,774
Contributed professional fees	221,826	-	221,826	407,967	-	407,967
	<u>480,097</u>	<u>36,138</u>	<u>516,235</u>	<u>717,741</u>	<u>5,000</u>	<u>722,741</u>
Special events	-	-	-	13,573	-	13,573
Grants from governmental agencies	<u>213,154</u>	<u>-</u>	<u>213,154</u>	<u>179,864</u>	<u>-</u>	<u>179,864</u>
Other revenue:						
Fees	19,209	-	19,209	25,142	-	25,142
Miscellaneous	<u>2,052</u>	<u>-</u>	<u>2,052</u>	<u>2,057</u>	<u>-</u>	<u>2,057</u>
	<u>21,261</u>	<u>-</u>	<u>21,261</u>	<u>27,199</u>	<u>-</u>	<u>27,199</u>
Net assets released from donor designations	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>59,400</u>	<u>(59,400)</u>	<u>-</u>
Total revenues, gains and other support	<u>719,512</u>	<u>31,138</u>	<u>750,650</u>	<u>997,777</u>	<u>(54,400)</u>	<u>943,377</u>
Expenses:						
Program services -						
Community legal assistance	<u>661,449</u>	<u>-</u>	<u>661,449</u>	<u>844,483</u>	<u>-</u>	<u>844,483</u>
Supporting services:						
Management and general	117,005	-	117,005	127,522	-	127,522
Fund raising	<u>12,864</u>	<u>-</u>	<u>12,864</u>	<u>19,347</u>	<u>-</u>	<u>19,347</u>
Total supporting services	<u>129,869</u>	<u>-</u>	<u>129,869</u>	<u>146,869</u>	<u>-</u>	<u>146,869</u>
Total expenses	<u>791,318</u>	<u>-</u>	<u>791,318</u>	<u>991,352</u>	<u>-</u>	<u>991,352</u>
Change in net assets	(71,806)	31,138	(40,668)	6,425	(54,400)	(47,975)
Net assets - beginning of year	<u>195,844</u>	<u>5,000</u>	<u>200,844</u>	<u>189,419</u>	<u>59,400</u>	<u>248,819</u>
Net assets - end of year	<u>\$ 124,038</u>	<u>\$ 36,138</u>	<u>\$ 160,176</u>	<u>\$ 195,844</u>	<u>\$ 5,000</u>	<u>\$ 200,844</u>

See the independent auditors' report and accompanying notes.

Community Law Center, Inc.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (40,668)	\$ (47,975)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,164	4,915
(Increase) decrease in:		
Accounts receivable	700	3,224
Grants receivable	(14,702)	7,795
Contributions receivable	(37,800)	53,670
Prepaid expenses and deposits	4,527	(1,693)
Increase (decrease) in:		
Accounts payable	(1,171)	(57)
Accrued expenses	863	(248)
Deferred revenue	(3,062)	555
Net cash (used in) provided by operating activities	<u>(88,149)</u>	<u>20,186</u>
Cash flows from financing activities -		
Note payable proceeds	<u>80,800</u>	<u>-</u>
Net cash provided by financing activities	<u>80,800</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(7,349)	20,186
Cash and cash equivalents - beginning of year	<u>179,847</u>	<u>159,661</u>
Cash and cash equivalents - end of year	<u>\$ 172,498</u>	<u>\$ 179,847</u>

Community Law Center, Inc.
 Statements of Functional Expenses
 Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Community Legal Assistance	Management and General	Fund Raising	Total	Community Legal Assistance	Management and General	Fund Raising	Total
Payroll and payroll related	\$ 355,890	\$ 70,096	\$ 10,207	\$ 436,193	\$ 349,198	\$ 94,238	\$ 10,068	\$ 453,504
Professional fees	-	30,449	-	30,449	5,030	11,227	-	16,257
Contributed professional fees	221,826	-	-	221,826	407,967	-	-	407,967
Supplies	1,063	205	30	1,298	1,506	334	7,107	8,947
Occupancy	53,099	10,458	1,523	65,080	52,341	14,125	1,509	67,975
Insurance	3,968	782	114	4,864	4,162	1,123	120	5,405
Telephone	5,883	1,159	169	7,211	4,526	1,221	130	5,877
Postage, printing and promotion	1,535	302	44	1,881	2,009	542	58	2,609
Equipment maintenance	13,698	2,582	699	16,979	6,988	1,886	201	9,075
Dues, library and publications	1,804	-	-	1,804	1,647	-	-	1,647
Miscellaneous	102	463	4	569	5,324	1,805	45	7,174
Depreciation	2,581	509	74	3,164	3,785	1,021	109	4,915
	<u>\$ 661,449</u>	<u>\$ 117,005</u>	<u>\$ 12,864</u>	<u>\$ 791,318</u>	<u>\$ 844,483</u>	<u>\$ 127,522</u>	<u>\$ 19,347</u>	<u>\$ 991,352</u>

See the independent auditors' report and accompanying notes.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Community Law Center, Inc., (Organization) a non-profit law firm, provides legal services to community and non-profit organizations throughout Maryland to promote stronger non-profits and more vibrant neighborhoods. The clients served by the Organization range from small, unfunded neighborhood associations to more complex non-profit housing developers. Cases range in complexity from brief legal advice to multi-year legal representation. The clients typically work in low-income neighborhoods and are seeking to provide solutions to problems found in their communities. The Organization is the only legal services provider in Maryland that provides assistance solely to groups. The Organization does not represent individuals.

The Organization provides direct legal representation for clients by staff attorneys through the Community Legal Services Program as well as the infrastructure to recruit, train and match volunteer attorneys to clients through the Pro Bono Program. The Pro Bono Program enhances and expands the amount of services provided by the Organization, allowing the Organization to efficiently offer high-quality legal services to many more clients than staff alone could accommodate. Pro Bono Program staff prepare clients and their cases to be ready for pro bono representation, and follow up with both the client and the Organization's attorney throughout the course of the case.

Legal services are provided to clients for free following the payment of an application fee, which varies based on the size of the client's budget. Clients' cases include: drafting organizational documents (incorporation, bylaw revisions, application for 501(c)(3) status); negotiating Community Benefits Agreements; reviewing contracts and leases; assisting with vacant property acquisition and rehabilitation and vacant lot greening; litigating nuisance abatement complaints, zoning, and liquor board appeals; and any other legal matter faced by a neighborhood or non-profit organization in Maryland.

Accounts Receivable/Grants Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods are immaterial.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash equivalents to include time deposits, certificates of deposit, and all highly liquid debt instruments purchased with maturities of three (3) months or less.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Revenue

Contributions received are recorded as donor undesignated or donor designated support, depending on the existence and/or nature of any donor designation.

Support that is designated by the donor is reported as an increase in donor undesignated net assets if the designation expires in the reporting period in which the support is recognized. All other donor designated support is reported as an increase in donor designated net assets, depending on the nature of the designation. When a designation expires (that is, when a stipulated time designation ends or purpose designation is accomplished), donor designated net assets are reclassified to donor undesignated net assets and reported in the statement of activities and change in net assets as net assets released from designations. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Property and Equipment

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) to ten (10) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to program or supporting services. Management's estimate of the allocations of expenses to program service, management and general, and fund raising is based on appropriate allocation factors such as estimated time spent in those areas or square footage used.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. When material, the discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 2 - USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - RETIREMENT PLAN

The Organization offers a 401(k) retirement plan to all staff. The Organization may match employee contributions for employees twenty-one (21) years of age or older and who have minimum of one (1) year of service, at its discretion. Employees are able to withhold the maximum limited by current income tax law. Retirement plan expense was \$0 for the years ended December 31, 2020 and 2019.

NOTE 4 - INCOME TAXES

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

NOTE 5 - DONATED SERVICES

The Organization received donated legal services which benefited all aspects of the mission. Donated legal services recorded in the financial statements totaled \$221,826 and \$407,967 for 1,607 and 1,576 hours for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 - COMMITMENTS

The Organization rents office space under a lease for approximately \$3,750 per month expiring January 31, 2024. Under the terms of the lease monthly payments increase three percent (3%) every February. Rent expense was \$48,247 and \$47,618, the years ended December 31, 2020 and 2019, respectively.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 6 - COMMITMENTS (continued)

Future minimum lease rentals are as follows:

2021	\$ 50,525
2022	52,041
2023	53,602
2024	\$ 4,478

NOTE 7 - DONOR DESIGNATED NET ASSETS

Donor designated net assets consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Time	\$ -	\$ 5,000
Support neighborhood associations	<u>36,138</u>	<u>-</u>
	<u>\$ 36,138</u>	<u>\$ 5,000</u>

NOTE 8 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of unconditional promises to give to be received within one year. The balance of contributions receivable was \$43,430 and \$5,630 at December 31, 2020 and 2019, respectively.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 27,895	\$ 27,895
Computer equipment	<u>11,007</u>	<u>11,007</u>
	38,902	38,902
Less accumulated depreciation	<u>35,600</u>	<u>32,436</u>
	<u>\$ 3,302</u>	<u>\$ 6,466</u>

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed designations within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 252,876	\$ 208,423
Less those unavailable for general expenditures within one year, due to		
Donor designations	<u>36,138</u>	<u>5,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 216,738</u>	<u>\$ 203,423</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in a savings account.

NOTE 11 - DONOR DESIGNATED NET ASSETS RELEASED FROM DESIGNATIONS

Donor designated net assets released from designations consisted of the following for the years ended December 31,:

	<u>2020</u>	<u>2019</u>
Time	\$ 5,000	\$ -
Liquor board - salaries	<u>-</u>	<u>59,400</u>
	<u>\$ 5,000</u>	<u>\$ 59,400</u>

NOTE 12 - ACCOUNTING PRONOUNCEMENTS

The Organization adopted the requirements in FASB ASU 2016-18, Statement of Cash Flows, Restricted Cash. The primary changes include the Statement of Cash Flows shall explain the change during the period in the total of cash, cash and cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the cash flows.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 12 - ACCOUNTING PRONOUNCEMENTS (continued)

The Organization adopted the requirements in FASB ASU 2018-08 which amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of return to the contributor of assets transferred or a right of release from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

NOTE 13 - NOTE PAYABLE

The Organization was issued a note in the amount of \$80,800 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. All or a portion of the loan may be forgiven in accordance with the program requirements. The balance of the loan not forgiven will convert to an amortizing term loan payable in two (2) years. The note has a one percent (1%) interest rate.

NOTE 14 - CONTINGENCY

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (Covid-19) a worldwide pandemic. The Covid-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Covid-19 outbreak is still evolving and the financial impact remains unknown. There is uncertainty regarding Covid-19's impact on the world's economy and therefore on the Organization and its stakeholders.

NOTE 15 - CONCENTRATIONS

The Organization received approximately 20% and 11% of its revenue (excluding contributed professional fees) included in grants from governmental agencies from one (1) agency for the years ended December 31, 2020 and 2019, respectively. Approximately 69% and 89% of contributions receivable and 100% and 99% of grants receivable are due from one (1) organization for the years ended December 31, 2020 and 2019, respectively.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on May 17, 2021 and determined the following to be disclosed:

The Organization's paycheck protection note (Note 13) was forgiven in full.

The Organization was issued a note in the amount of \$80,822 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. All or a portion of the loan may be forgiven in accordance with the program requirements. The balance of the loan not forgiven will convert to an amortizing term loan payable in two (2) years. The note has a one percent (1%) interest rate.