

Community Law Center, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020



Community Law Center, Inc.

Table of Contents

Years Ended December 31, 2021 and 2020

	<u>PAGE</u>
Independent Auditor's 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 Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Community Law Center, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Community Law Center, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

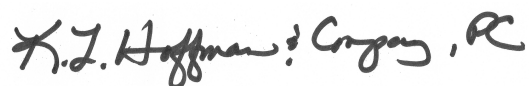
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 Community Law Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Law Center, Inc.'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.

Handwritten signature of K.J. Hoffman, CPA in black ink.

CERTIFIED PUBLIC ACCOUNTANT

May 3, 2022

Community Law Center, Inc.

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 236,146	\$ 172,498
Grants receivable	40,341	36,948
Contributions receivable	15,527	43,430
Prepaid expenses and deposits	15,514	16,225
Furniture and equipment, net	1,100	3,302
Total assets	<u>308,628</u>	<u>272,403</u>
LIABILITIES AND NET ASSETS		
Accounts payable	3,444	1,601
Accrued expenses	33,714	28,583
Deferred revenue	4,582	1,243
Note payable	-	80,800
Total liabilities	<u>41,740</u>	<u>112,227</u>
Net assets:		
Donor undesignated	257,395	124,038
Donor designated	9,493	36,138
Total net assets	<u>266,888</u>	<u>160,176</u>
Total liabilities and net assets	<u>\$ 308,628</u>	<u>\$ 272,403</u>

Community Law Center, Inc.

Statements of Activities and Change in Net Assets
Years Ended December 31, 2021 and 2020

	2021			2020		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 329,151	\$ 9,493	\$ 338,644	\$ 258,271	\$ 36,138	\$ 294,409
Contributed professional fees	254,685	-	254,685	221,826	-	221,826
	<u>583,836</u>	<u>9,493</u>	<u>593,329</u>	<u>480,097</u>	<u>36,138</u>	<u>516,235</u>
Grants from governmental agencies	194,392	-	194,392	213,154	-	213,154
Other revenue:						
Fees	14,637	-	14,637	19,209	-	19,209
Miscellaneous	1,691	-	1,691	2,052	-	2,052
	<u>16,328</u>	<u>-</u>	<u>16,328</u>	<u>21,261</u>	<u>-</u>	<u>21,261</u>
Net assets released from donor designations	36,138	(36,138)	-	5,000	(5,000)	-
Total revenues, gains and other support	<u>830,694</u>	<u>(26,645)</u>	<u>804,049</u>	<u>719,512</u>	<u>31,138</u>	<u>750,650</u>
Expenses:						
Program services -						
Community legal assistance	713,523	-	713,523	661,449	-	661,449
Supporting services:						
Management and general	123,971	-	123,971	117,005	-	117,005
Fund raising	21,465	-	21,465	12,864	-	12,864
Total supporting services	<u>145,436</u>	<u>-</u>	<u>145,436</u>	<u>129,869</u>	<u>-</u>	<u>129,869</u>
Total expenses	<u>858,959</u>	<u>-</u>	<u>858,959</u>	<u>791,318</u>	<u>-</u>	<u>791,318</u>
Change in net assets before extinguishment of debt	(28,265)	(26,645)	(54,910)	(71,806)	31,138	(40,668)
Extinguishment of debt	161,622	-	161,622	-	-	-
Change in net assets	133,357	(26,645)	106,712	(71,806)	31,138	(40,668)
Net assets - beginning of year	124,038	36,138	160,176	195,844	5,000	200,844
Net assets - end of year	<u>\$ 257,395</u>	<u>\$ 9,493</u>	<u>\$ 266,888</u>	<u>\$ 124,038</u>	<u>\$ 36,138</u>	<u>\$ 160,176</u>

See the independent auditor's report and accompanying notes.

Community Law Center, Inc.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 106,712	\$ (40,668)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,202	3,164
Extinguishment of debt	(161,622)	-
(Increase) decrease in:		
Accounts receivable	-	700
Grants receivable	(3,393)	(14,702)
Contributions receivable	27,903	(37,800)
Prepaid expenses and deposits	711	4,527
Increase (decrease) in:		
Accounts payable	1,843	(1,171)
Accrued expenses	5,131	863
Deferred revenue	3,339	(3,062)
Net cash used in operating activities	<u>(17,174)</u>	<u>(88,149)</u>
Cash flows from financing activities -		
Note payable proceeds	<u>80,822</u>	<u>80,800</u>
Net cash provided by financing activities	<u>80,822</u>	<u>80,800</u>
Net increase (decrease) in cash and cash equivalents	63,648	(7,349)
Cash and cash equivalents - beginning of year	<u>172,498</u>	<u>179,847</u>
Cash and cash equivalents - end of year	<u>\$ 236,146</u>	<u>\$ 172,498</u>

Community Law Center, Inc.
 Statements of Functional Expenses
 Years Ended December 31, 2021 and 2020

	2021				2020			
	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	\$ 366,966	\$ 77,008	\$ 17,154	\$ 461,128	\$ 355,890	\$ 70,096	\$ 10,207	\$ 436,193
Professional fees	2,730	28,191	-	30,921	-	30,449	-	30,449
Contributed professional fees	254,685	-	-	254,685	221,826	-	-	221,826
Supplies	957	143	32	1,132	1,063	205	30	1,298
Occupancy	55,095	11,562	2,575	69,232	53,099	10,458	1,523	65,080
Insurance	3,737	784	175	4,696	3,968	782	114	4,864
Telephone	6,067	1,273	284	7,624	5,883	1,159	169	7,211
Postage, printing and promotion	8,327	1,747	389	10,463	1,535	302	44	1,881
Equipment maintenance	12,125	2,414	770	15,309	13,698	2,582	699	16,979
Dues, library and publications	1,017	-	-	1,017	1,804	-	-	1,804
Miscellaneous	65	481	4	550	102	463	4	569
Depreciation	1,752	368	82	2,202	2,581	509	74	3,164
	<u>\$ 713,523</u>	<u>\$ 123,971</u>	<u>\$ 21,465</u>	<u>\$ 858,959</u>	<u>\$ 661,449</u>	<u>\$ 117,005</u>	<u>\$ 12,864</u>	<u>\$ 791,318</u>

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 1 - 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. The Organization is funded by government grants, contributions, and program revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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.

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, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 3 - 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 4 - 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, 2021 and 2020.

NOTE 5 - 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 6 - DONATED SERVICES

The Organization received donated legal services which benefited all aspects of the mission. Donated legal services recorded in the financial statements totaled \$254,685 and \$221,826 for 1,004 and 1,607 hours for the years ended December 31, 2021 and 2020, respectively.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 7 - COMMITMENTS

The Organization rents office space under a lease for approximately \$4,225 per month expiring January 31, 2024. Under the terms of the lease monthly payments increase three percent (3%) every February. Rent expense was \$50,519 and \$48,247, the years ended December 31, 2021 and 2020, respectively.

Future minimum lease rentals are as follows:

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

NOTE 8 - DONOR DESIGNATED NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Improve virtual capacity, online presence and outreach	\$ 9,493	\$ -
Support neighborhood associations	-	36,138
	<u>\$ 9,493</u>	<u>\$ 36,138</u>

NOTE 9 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of unconditional promises to give to be received within one year. The balance of contributions receivable was \$15,527 and \$43,430 at December 31, 2021 and 2020, respectively.

NOTE 10 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 27,895	\$ 27,895
Computer equipment	11,007	11,007
	<u>38,902</u>	<u>38,902</u>
Less accumulated depreciation	<u>37,802</u>	<u>35,600</u>
	<u>\$ 1,100</u>	<u>\$ 3,302</u>

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 11 - CONCENTRATIONS

The Organization received approximately 18% and 20% of its revenue (excluding contributed professional fees) included in grants from governmental agencies from one (1) agency for the years ended December 31, 2021 and 2020, respectively. Approximately 61% and 69% of contributions receivable and 100% of grants receivable are due from one (1) organization for the years ended December 31, 2021 and 2020.

NOTE 12 - 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>2021</u>	<u>2020</u>
Time	\$ -	\$ 5,000
Support neighborhood associations	<u>36,138</u>	<u>-</u>
	<u>\$ 36,138</u>	<u>\$ 5,000</u>

NOTE 13 - NOTE PAYABLE

During the years ended December 31, 2021 and 2020 the Organization was issued notes in the amount of \$80,822 and \$80,800, respectively, under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. During the year ended December 31, 2021, the Organization's Paycheck Protection notes were forgiven in full and are included in extinguishment of debt on the statement of activities and change in net assets.

NOTE 14 - ACCOUNTING PRONOUNCEMENT

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019 for non-public companies. The adoption of this standard has no impact on the Organization's financial position or change in its net assets.

NOTE 15 - 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.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 292,014	\$ 252,876
Less those unavailable for general expenditures within one year, due to		
Donor designations	<u>9,493</u>	<u>36,138</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 282,521</u>	<u>\$ 216,738</u>

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

NOTE 17 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on May 3, 2022 and determined there are no material transactions to disclose.