

Community Law Center, Inc.

Financial Statements

Years Ended December 31, 2022 and 2021



Community
Law Center

Community Law Center, Inc.

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Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements Community Law Center, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Community Law Center, Inc., 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 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.

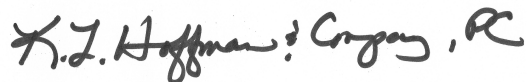
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 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.



CERTIFIED PUBLIC ACCOUNTANT

August 29, 2023

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

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 126,650	\$ 236,146
Accounts receivable	886	-
Grants receivable	38,044	40,341
Contributions receivable	-	15,527
Prepaid expenses and deposits	18,299	15,514
Furniture and equipment, net	-	1,100
Intangible asset	16,500	-
Right-of-use asset, net	52,178	-
Total assets	<u>252,557</u>	<u>308,628</u>
LIABILITIES AND NET ASSETS		
Accounts payable	3,170	3,444
Accrued expenses	25,900	33,714
Deferred revenue	4,500	4,582
Lease liability	56,894	-
Total liabilities	<u>90,464</u>	<u>41,740</u>
Net assets:		
Donor undesignated	162,093	257,395
Donor designated	-	9,493
Total net assets	<u>162,093</u>	<u>266,888</u>
Total liabilities and net assets	<u>\$ 252,557</u>	<u>\$ 308,628</u>

See the independent auditor's report and accompanying notes.

Community Law Center, Inc.

Statements of Activities and Change in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 316,910	\$ -	\$ 316,910	\$ 329,151	\$ 9,493	\$ 338,644
Contributed professional fees	317,133	-	317,133	254,685	-	254,685
	<u>634,043</u>	<u>-</u>	<u>634,043</u>	<u>583,836</u>	<u>9,493</u>	<u>593,329</u>
Grants from governmental agencies	<u>187,933</u>	<u>-</u>	<u>187,933</u>	<u>194,392</u>	<u>-</u>	<u>194,392</u>
Other revenue:						
Fees	15,793	-	15,793	14,637	-	14,637
Miscellaneous	2,088	-	2,088	1,691	-	1,691
	<u>17,881</u>	<u>-</u>	<u>17,881</u>	<u>16,328</u>	<u>-</u>	<u>16,328</u>
Net assets released from donor designations	<u>9,493</u>	<u>(9,493)</u>	<u>-</u>	<u>36,138</u>	<u>(36,138)</u>	<u>-</u>
Total revenues, gains and other support	<u>849,350</u>	<u>(9,493)</u>	<u>839,857</u>	<u>830,694</u>	<u>(26,645)</u>	<u>804,049</u>
Expenses:						
Program services -						
Community legal assistance	<u>720,452</u>	<u>-</u>	<u>720,452</u>	<u>713,523</u>	<u>-</u>	<u>713,523</u>
Supporting services:						
Management and general	173,803	-	173,803	123,971	-	123,971
Fund raising	50,397	-	50,397	21,465	-	21,465
Total supporting services	<u>224,200</u>	<u>-</u>	<u>224,200</u>	<u>145,436</u>	<u>-</u>	<u>145,436</u>
Total expenses	<u>944,652</u>	<u>-</u>	<u>944,652</u>	<u>858,959</u>	<u>-</u>	<u>858,959</u>
Change in net assets before extinguishment of debt	(95,302)	(9,493)	(104,795)	(28,265)	(26,645)	(54,910)
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,622</u>	<u>-</u>	<u>161,622</u>
Change in net assets	(95,302)	(9,493)	(104,795)	133,357	(26,645)	106,712
Net assets - beginning 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>
Net assets - end of year	<u>\$ 162,093</u>	<u>\$ -</u>	<u>\$ 162,093</u>	<u>\$ 257,395</u>	<u>\$ 9,493</u>	<u>\$ 266,888</u>

See the independent auditor's report and accompanying notes.

Community Law Center, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (104,795)	\$ 106,712
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,100	2,202
Amortization of right-of-use asset	54,690	-
Extinguishment of debt	-	(161,622)
(Increase) decrease in:		
Accounts receivable	(886)	-
Grants receivable	2,297	(3,393)
Contributions receivable	15,527	27,903
Prepaid expenses and deposits	(2,785)	711
Increase (decrease) in:		
Accounts payable	(274)	1,843
Accrued expenses	(7,814)	5,131
Deferred revenue	(82)	3,339
Lease liability	(49,974)	-
Net cash used in operating activities	<u>(92,996)</u>	<u>(17,174)</u>
Cash flows from investing activities -		
Capital expenditures	<u>(16,500)</u>	<u>-</u>
Net cash used in investing activities	<u>(16,500)</u>	<u>-</u>
Cash flows from financing activities -		
Note payable proceeds	<u>-</u>	<u>80,822</u>
Net cash provided by financing activities	<u>-</u>	<u>80,822</u>
Net (decrease) increase in cash and cash equivalents	(109,496)	63,648
Cash and cash equivalents - beginning of year	<u>236,146</u>	<u>172,498</u>
Cash and cash equivalents - end of year	<u>\$ 126,650</u>	<u>\$ 236,146</u>

See the independent auditor's report and accompanying notes.

Community Law Center, Inc.
 Statements of Functional Expenses
 Years Ended December 31, 2022 and 2021

	2022					2021			
	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	\$ 320,298	\$ 103,165	\$ 40,200	\$ 463,663		\$ 366,966	\$ 77,008	\$ 17,154	\$ 461,128
Professional fees	3,958	45,490	-	49,448		2,730	28,191	-	30,921
Contributed professional fees	317,133	-	-	317,133		254,685	-	-	254,685
Supplies	120	39	15	174		957	143	32	1,132
Occupancy	53,634	17,275	6,731	77,640		55,095	11,562	2,575	69,232
Insurance	3,330	1,072	418	4,820		3,737	784	175	4,696
Telephone	5,681	1,830	713	8,224		6,067	1,273	284	7,624
Postage, printing and promotion	1,132	365	142	1,639		8,327	1,747	389	10,463
Equipment maintenance	12,911	3,326	1,602	17,839		12,125	2,414	770	15,309
Dues, library and publications	1,245	-	-	1,245		1,017	-	-	1,017
Miscellaneous	250	996	481	1,727		65	481	4	550
Depreciation	760	245	95	1,100		1,752	368	82	2,202
	<u>\$ 720,452</u>	<u>\$ 173,803</u>	<u>\$ 50,397</u>	<u>\$ 944,652</u>		<u>\$ 713,523</u>	<u>\$ 123,971</u>	<u>\$ 21,465</u>	<u>\$ 858,959</u>

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021

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.

Intangible Assets

Costs related to the website design are being amortized over five (5) years, using the straight-line method.

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.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception. Operating leases are included as right-of-use assets (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liability represents the Organization's obligation to make lease payments arising from the lease. ROU assets and payables are recognized at the commencement date of the lease based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of twelve (12) months or less as expense as incurred and these leases are not included as lease liability or ROU assets on statements of financial position. The Organization has elected to use a risk free discount rate to measure the lease for all leases classified as operating leases.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 2 - 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.

Donated Goods and Services and Tangible Personal Property

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. These contributions are used in providing services to clients and staff. The contributions are recognized at the item's estimated fair value at the date of donation, using sales prices for items of similar condition and comparable current rates for services.

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, 2022 and 2021.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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 \$317,133 and \$254,685 for 824 and 1,004 hours for the years ended December 31, 2022 and 2021, respectively.

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 \$52,034 and \$50,519, the years ended December 31, 2022 and 2021, respectively. The Organization has classified the lease as an operating lease. The lease agreement does not contain information amount the discount rate implicit in the lease. The Organization has elected to use a risk-free discount rate of 1.93% based on the five (5) year zero coupon U.S. Treasury instrument at the lease agreement inception date.

Future maturities for the operating lease liability for the years ending December 31,:

2023	\$ 53,602
2024	<u>4,478</u>
Total minimum future lease payments	58,080
Less: amount representing interest	<u>1,186</u>
Total obligation under lease liability	<u><u>\$ 56,894</u></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 \$0 and \$15,527 at December 31, 2022 and 2021, respectively.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 - DONOR DESIGNATED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Improve virtual capacity, online presence and outreach	\$ -	\$ 9,493

NOTE 10 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</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>38,902</u>	<u>37,802</u>
	<u>\$ -</u>	<u>\$ 1,100</u>

NOTE 11 - CONCENTRATIONS

The Organization received approximately 21% and 18% of its revenue (excluding contributed professional fees) included in grants from governmental agencies from one (1) agency for the years ended December 31, 2022 and 2021, respectively. Approximately 0% and 61% of contributions receivable and 100% of grants receivable are due from one (1) organization for the years ended December 31, 2022 and 2021.

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>2022</u>	<u>2021</u>
Improve virtual capacity, online presence and outreach	\$ 9,493	\$ 36,138

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.

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 14 - ACCOUNTING PRONOUNCEMENTS

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative affect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 165,580	\$ 292,014
Less those unavailable for general expenditures within one year, due to		
Donor designations	<u>-</u>	<u>9,493</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 165,580</u>	<u>\$ 282,521</u>

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

Community Law Center, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 16 - INTANGIBLE ASSETS

During the year ended December 31, 2022, the Organization designed a website. The website and related costs have been capitalized and are being amortized using the straight-line method over a five (5) year period. The website was not in service as of December 31, 2022.

Future amortization expense for the years ending December 31,:

2023	\$	3,300
2024		3,300
2025		3,300
2026		3,300
2027	\$	3,300

NOTE 17 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on August 29, 2023 and determined the following to be disclosed:

The Organization obtained a line of credit with an available balance of \$50,000.