

**Community Law Center, Inc.**

Financial Statements

Years Ended December 31, 2023 and 2022



# Community Law Center, Inc.

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Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

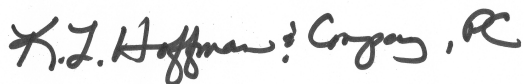
### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

September 12, 2024

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

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 119,406	\$ 126,650
Accounts receivable	3,084	886
Grants receivable	38,562	38,044
Prepaid expenses and deposits	16,783	18,299
Intangible asset, net	20,000	16,500
Right-of-use asset, net	<u>362,396</u>	<u>52,178</u>
Total assets	<u>560,231</u>	<u>252,557</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	2,166	3,170
Accrued expenses	36,021	25,900
Deferred revenue	30,772	4,500
Line of credit	23,984	-
Lease liability	<u>389,269</u>	<u>56,894</u>
Total liabilities	<u>482,212</u>	<u>90,464</u>
Net assets -		
Donor undesignated	<u>78,019</u>	<u>162,093</u>
Total net assets	<u>78,019</u>	<u>162,093</u>
Total liabilities and net assets	<u>\$ 560,231</u>	<u>\$ 252,557</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, 2023 and 2022

	2023			2022		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 346,175	\$ -	\$ 346,175	\$ 316,910	\$ -	\$ 316,910
Contributed professional fees	289,344	-	289,344	317,133	-	317,133
	<u>635,519</u>	<u>-</u>	<u>635,519</u>	<u>634,043</u>	<u>-</u>	<u>634,043</u>
Special events	14,169	-	14,169	-	-	-
Grants from governmental agencies	301,647	-	301,647	187,933	-	187,933
Other revenue:						
Fees	15,876	-	15,876	15,793	-	15,793
Miscellaneous	2,953	-	2,953	2,088	-	2,088
	<u>18,829</u>	<u>-</u>	<u>18,829</u>	<u>17,881</u>	<u>-</u>	<u>17,881</u>
Net assets released from donor designations	-	-	-	9,493	(9,493)	-
Total revenues, gains and other support	<u>970,164</u>	<u>-</u>	<u>970,164</u>	<u>849,350</u>	<u>(9,493)</u>	<u>839,857</u>
Expenses:						
Program services -						
Community legal assistance	810,357	-	810,357	720,452	-	720,452
Supporting services:						
Management and general	190,088	-	190,088	173,803	-	173,803
Fund raising	48,013	-	48,013	50,397	-	50,397
Cost of direct benefits to donors	5,780	-	5,780	-	-	-
Total supporting services	<u>243,881</u>	<u>-</u>	<u>243,881</u>	<u>224,200</u>	<u>-</u>	<u>224,200</u>
Total expenses	<u>1,054,238</u>	<u>-</u>	<u>1,054,238</u>	<u>944,652</u>	<u>-</u>	<u>944,652</u>
Change in net assets	(84,074)	-	(84,074)	(95,302)	(9,493)	(104,795)
Net assets - beginning of year	162,093	-	162,093	257,395	9,493	266,888
Net assets - end of year	<u>\$ 78,019</u>	<u>\$ -</u>	<u>\$ 78,019</u>	<u>\$ 162,093</u>	<u>\$ -</u>	<u>\$ 162,093</u>

See the independent auditor's report and accompanying notes.

## Community Law Center, Inc.

### Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (84,074)	\$ (104,795)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,000	1,100
Amortization of right-of-use asset	(310,218)	54,690
(Increase) decrease in:		
Accounts receivable	(2,198)	(886)
Grants receivable	(518)	2,297
Contributions receivable	-	15,527
Prepaid expenses and deposits	1,516	(2,785)
Increase (decrease) in:		
Accounts payable	(1,004)	(274)
Accrued expenses	10,121	(7,814)
Deferred revenue	26,272	(82)
Lease liability	332,375	(49,974)
Net cash used in operating activities	<u>(22,728)</u>	<u>(92,996)</u>
Cash flows from investing activities -		
Capital expenditures	<u>(8,500)</u>	<u>(16,500)</u>
Net cash used in investing activities	<u>(8,500)</u>	<u>(16,500)</u>
Cash flows from financing activities -		
Net advances on line of credit	<u>23,984</u>	<u>-</u>
Net cash provided by financing activities	<u>23,984</u>	<u>-</u>
Net decrease in cash and cash equivalents	(7,244)	(109,496)
Cash and cash equivalents - beginning of year	<u>126,650</u>	<u>236,146</u>
Cash and cash equivalents - end of year	<u>\$ 119,406</u>	<u>\$ 126,650</u>

See the independent auditor's report and accompanying notes.



**Community Law Center, Inc.**  
 Statements of Functional Expenses  
 Years Ended December 31, 2023 and 2022

	2023					2022				
	Program Services	Supporting Services			Total	Program Services	Supporting Services			Total
	Community Legal Assistance	Management and General	Fund Raising	Cost of Direct Benefits to Donors		Community Legal Assistance	Management and General	Fund Raising	Cost of Direct Benefits to Donors	
Payroll and payroll related	\$ 415,716	\$ 122,513	\$ 36,679	\$ -	\$ 574,908	\$ 320,298	\$ 103,165	\$ 40,200	\$ -	\$ 463,663
Professional fees	482	34,666	-	-	35,148	3,958	45,490	-	-	49,448
Contributed professional fees	289,344	-	-	-	289,344	317,133	-	-	-	317,133
Supplies	3,398	971	291	-	4,660	120	39	15	-	174
Occupancy	71,580	21,095	6,316	-	98,991	53,634	17,275	6,731	-	77,640
Insurance	4,007	1,181	354	-	5,542	3,330	1,072	418	-	4,820
Telephone	3,965	1,169	350	-	5,484	5,681	1,830	713	-	8,224
Postage, printing and promotion	2,275	671	201	-	3,147	1,132	365	142	-	1,639
Equipment maintenance	12,520	3,690	1,105	-	17,315	12,911	3,326	1,602	-	17,839
Dues, library and publications	1,377	-	-	-	1,377	1,245	-	-	-	1,245
Miscellaneous	2,078	3,066	2,398	5,780	13,322	250	996	481	-	1,727
Depreciation and amortization	3,615	1,066	319	-	5,000	760	245	95	-	1,100
	<u>\$ 810,357</u>	<u>\$ 190,088</u>	<u>\$ 48,013</u>	<u>\$ 5,780</u>	<u>\$ 1,054,238</u>	<u>\$ 720,452</u>	<u>\$ 173,803</u>	<u>\$ 50,397</u>	<u>\$ -</u>	<u>\$ 944,652</u>

## **Community Law Center, Inc.**

Notes to Financial Statements

December 31, 2023 and 2022

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### **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, 2023 and 2022

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### **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 statements 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, 2023 and 2022

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### **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**

Donations of services and property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as undesignated support unless the donor has designated the donated asset to a specific purpose. Assets donated with explicit designations regarding their use and contributions of cash that must be used to acquire property and equipment are reported as designated support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor designations when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor designated net assets to undesignated net assets at that time.

The Organization recognizes donated services that creates or enhances 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. These contributions are used in providing services to clients and staff. The contributions are recognized at 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.

## **Community Law Center, Inc.**

Notes to Financial Statements

December 31, 2023 and 2022

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### **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, 2023 and 2022.

### **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 \$289,344 and \$317,133 for 693 and 824 hours for the years ended December 31, 2023 and 2022, respectively.

### **NOTE 7 - COMMITMENTS**

In December 2023, the Organization signed an amendment to their lease extending the term until December 31, 2033. Monthly payments will be approximately \$3,500 during the year ending December 2024 and increasing to \$5,150 during the year ending December 2025 and subsequent increases of 3% annually. Rent expense was \$53,595 and \$52,034, the years ended December 31, 2023 and 2022, respectively. The Organization has classified the lease as an operating lease.

## Community Law Center, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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### **NOTE 7 - COMMITMENTS (continued)**

The lease agreement does not contain information amount the discount rate implicit in the lease. The Organization has elected to use a risk free interest rate of 11.09%.

Obligations under right-of-use leases will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of December 31, 2023, the weighted average lease term remaining that is included in the maturities of the lease obligations is ten years (10).

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

2024	\$	42,641
2025		61,650
2026		64,116
2027		66,685
2028		69,356
Thereafter		<u>390,690</u>
Total minimum future lease payments		695,138
Less: amount representing interest		<u>305,869</u>
Total obligation under lease liability	\$	<u><u>389,269</u></u>

### **NOTE 8 - PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</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>38,902</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## Community Law Center, Inc.

Notes to Financial Statements  
December 31, 2023 and 2022

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### **NOTE 9 - INTANGIBLE ASSETS**

During the year ended December 31, 2023, the Organization completed the redesign of the website. The website and related costs have been capitalized and are being amortized using the straight-line method over a five (5) year period. Amortization expense was \$5,000 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Future amortization expense for the years ending December 31,:

2024	\$	5,000
2025		5,000
2026		5,000
2027	\$	5,000

### **NOTE 10 - CONCENTRATIONS**

The Organization received approximately 32% and 21% of its revenue (excluding contributed professional fees) included in grants from governmental agencies from one (1) agency for the years ended December 31, 2023 and 2022, respectively. 100% of grants receivable are due from one (1) organization for the years ended December 31, 2023 and 2022.

### **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>2023</u>	<u>2022</u>
Improve virtual capacity, online presence and outreach	\$ -	\$ 9,493

### **NOTE 12 - LINE OF CREDIT**

During the year ended December 31, 2023, the Organization obtained a line of credit with an available amount of \$50,000 and an interest rate of prime plus 2.59 percentage points (8.50% at December 31, 2023). The line is secured by funds on deposit with the financial institution. The balance was \$23,984 for the year ended December 31, 2023.

### **NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest -

Total cash paid for interest for the years ended December 31, 2023 and 2022 was \$1,586 and \$0, respectively.

See the independent auditor's report.

## Community Law Center, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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### **NOTE 14 - ACCOUNTING PRONOUNCEMENTS**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which introduced the expected credit loss model. In November 2019, the FASB issued ASU 2013-13 Financial Instruments - Credit Losses (Topic 626, 815 and 842) which extended the effective date of ASU 2016-13 for certain entities to fiscal years beginning after December 15, 2022.

The Organization adopted the requirements of the guidance effective January 1, 2023. The adoption of these standards has no impact on the Organization's financial position or change it's net assets, as the Organization does not have any financial instruments that meet ASU-2016-13 requirements.

### **NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 161,052	\$ 165,580
Less those unavailable for general expenditures within one year, due to		
Donor designations	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 161,052</u>	<u>\$ 165,580</u>

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

### **NOTE 16 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on September 12, 2024 and determined there are no material transactions to disclose.