

CENTER FOR LAW AND SOCIAL POLICY

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended December 31, 2022 and 2021

CENTER FOR LAW AND SOCIAL POLICY

**Financial Statements Together with
Report of Independent Public Accountants**

DECEMBER 31, 2022 AND 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors of
Center for Law and Social Policy

Opinion

We have audited the statements of financial position of the Center for Law and Social Policy (CLASP) as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CLASP 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 (GAAS). 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 CLASP 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 controls 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 CLASP's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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 GAAS, 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 controls 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 CLASP's internal controls. 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 CLASP's ability to continue as a going concern for one year after the issuance date or the date that the financial statements are available for issuance.

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 controls-related matters that we identified during the audit.

Washington, D.C.
January 31, 2024

SB & Company, LLC

CENTER FOR LAW AND SOCIAL POLICY

Statements of Financial Position As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 8,532,957	\$ 9,887,339
Investments	10,040,156	2,841
Grants receivable	1,430,000	2,951,100
Accounts receivable	145,950	27,739
Prepaid expenses	94,161	221,729
Property and equipment, net	170,806	195,089
Right-of-use-asset - financing lease	124,753	158,776
Right-of-use-asset - operating lease	5,262,423	5,730,987
Total Assets	<u><u>\$ 25,801,206</u></u>	<u><u>\$ 19,175,600</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 176,244	\$ 281,207
Accrued salaries and related benefits	373,668	385,752
Deferred revenue	-	7,000
Lease liability - financing	132,482	165,960
Lease liability - operating	5,590,009	5,971,071
Total Liabilities	<u><u>6,272,403</u></u>	<u><u>6,810,990</u></u>
Net Assets		
Without donor restrictions	13,420,390	2,651,783
With donor restrictions	6,108,413	9,712,827
Total Net Assets	<u><u>19,528,803</u></u>	<u><u>12,364,610</u></u>
Total Liabilities and Net Assets	<u><u>\$ 25,801,206</u></u>	<u><u>\$ 19,175,600</u></u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR LAW AND SOCIAL POLICY

Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Contributions and grants	\$ 14,099,671	\$ 236,806
Contract revenue	204,584	256,340
Federal grant - PPP loan forgiveness	-	817,100
Investment income, net	67,226	3,399
Other revenue	21,833	17,765
Release of net assets from restrictions	6,555,839	8,894,500
Total Revenue and Support	<u>20,949,153</u>	<u>10,225,910</u>
Expenses		
Policy areas	7,916,732	7,654,824
General and administrative	1,662,344	1,087,510
Fundraising	601,470	570,504
Total Expenses	<u>10,180,546</u>	<u>9,312,838</u>
Change in Net Assets Without Donor Restrictions	<u>10,768,607</u>	<u>913,072</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Grants	2,951,425	10,753,450
Release of net assets from restrictions	(6,555,839)	(8,894,500)
Change in Net Assets With Donor Restrictions	<u>(3,604,414)</u>	<u>1,858,950</u>
Changes in net assets	7,164,193	2,772,022
Net assets, beginning of year	12,364,610	9,592,588
Net Assets, End of Year	<u>\$ 19,528,803</u>	<u>\$ 12,364,610</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR LAW AND SOCIAL POLICY

Statement of Functional Expenses For the Year Ended December 31, 2022, with Comparative 2021 Totals

	2022									
	Policy Areas						Supporting Services			
	Education, Labor and Worker Justice	Child Care and Early Education	Poverty Income Support Program	Youth	Immigration	Total Policy Areas	General and Administrative	Fundraising	Total	2021 Totals
Salaries	\$ 867,957	\$ 907,234	\$ 926,924	\$ 929,196	\$ 654,330	\$ 4,285,641	\$ 527,995	\$ 372,425	\$ 5,186,061	\$ 4,568,257
Benefits	145,435	151,721	155,267	161,988	109,531	723,942	91,406	62,374	877,722	781,961
Payroll taxes	70,861	73,986	75,675	74,873	53,420	348,815	43,024	30,405	422,244	329,323
Consulting fees	179,925	63,290	231,428	628,839	33,800	1,137,282	404,561	57,026	1,598,869	1,399,345
Occupancy	110,914	115,806	118,449	117,193	83,615	545,977	68,309	47,592	661,878	657,121
Subgrants	-	262,500	151,000	27,500	35,000	476,000	-	-	476,000	1,051,231
Meetings and conferences	9,349	9,181	19,504	91,056	4,327	133,417	89,638	8,819	231,874	42,444
Professional fees	11,505	12,012	12,287	12,156	8,673	56,633	114,105	4,937	175,675	158,409
Publications purchased	1,854	34	2,677	4,763	25	9,353	93,147	697	103,197	75,278
Travel	6,706	14,367	10,333	19,269	14,753	65,428	34,121	2,399	101,948	23,554
Depreciation and amortization	8,717	9,102	9,309	9,211	6,572	42,911	61,379	3,741	108,031	55,603
Telecommunications	4,975	6,431	5,465	6,748	4,821	28,440	41,449	2,291	72,180	74,011
Miscellaneous	254	2,328	912	2,019	1,478	6,991	60,004	200	67,195	22,348
Office supplies	577	674	2,835	5,496	869	10,451	16,500	876	27,827	8,880
Dues and registration	9,204	1,779	2,569	1,800	1,609	16,961	6,122	3,218	26,301	27,629
Insurance	3,533	3,688	3,773	3,733	2,663	17,390	2,140	1,516	21,046	20,568
Printing and duplication	1,392	1,453	1,487	1,471	1,049	6,852	6,641	597	14,090	9,076
Interest expense	822	859	878	869	620	4,048	509	352	4,909	5,412
Contributions	-	-	-	-	-	-	-	2,000	2,000	1,000
Postage and delivery	57	12	11	111	9	200	1,294	5	1,499	1,388
Total Expenses	\$ 1,434,037	\$ 1,636,457	\$ 1,730,783	\$ 2,098,291	\$ 1,017,164	\$ 7,916,732	\$ 1,662,344	\$ 601,470	\$ 10,180,546	\$ 9,312,838

The accompanying notes are an integral part of this financial statement.

CENTER FOR LAW AND SOCIAL POLICY

Statement of Functional Expenses For the Year Ended December 31, 2021

	Policy Areas				Supporting Services		
	Education, Labor and Worker Justice	Child Care and Early Education	Poverty Income Support Program	Total Policy Areas	General and Administrative	Fundraising	Total
Salaries	\$ 811,109	\$ 1,887,910	\$ 1,135,621	\$ 3,834,640	\$ 396,825	\$ 336,792	\$ 4,568,257
Benefits	138,528	323,850	194,410	656,788	67,402	57,771	781,961
Payroll taxes	58,393	136,515	81,942	276,850	28,089	24,384	329,323
Consulting fees	187,971	653,432	261,983	1,103,386	237,709	58,250	1,399,345
Occupancy	105,254	244,241	146,610	496,105	108,073	52,943	657,121
Subgrants	11,028	517,325	522,878	1,051,231	-	-	1,051,231
Meetings and conferences	2,797	14,391	7,033	24,221	12,582	5,641	42,444
Professional fees	9,749	22,577	13,554	45,880	107,092	5,437	158,409
Publications purchased	2,015	2,779	2,393	7,187	62,221	5,870	75,278
Travel	152	6,562	5,950	12,664	10,570	320	23,554
Depreciation and amortization	5,585	12,934	7,764	26,283	26,205	3,115	55,603
Telecommunications	11,769	27,895	16,705	56,369	12,828	4,814	74,011
Miscellaneous	22,137	203	8	22,348	-	-	22,348
Office supplies	606	1,979	1,150	3,735	4,957	188	8,880
Dues and registration	9,146	5,349	2,919	17,414	3,815	6,400	27,629
Insurance	3,208	7,428	4,459	15,095	3,684	1,789	20,568
Printing and duplication	122	281	168	571	3,195	5,310	9,076
Interest expense	845	1,958	1,176	3,979	962	471	5,412
Contributions	-	-	-	-	-	1,000	1,000
Postage and delivery	16	39	23	78	1,301	9	1,388
Total Expenses	\$ 1,380,430	\$ 3,867,648	\$ 2,406,746	\$ 7,654,824	\$ 1,087,510	\$ 570,504	\$ 9,312,838

The accompanying notes are an integral part of this financial statement.

CENTER FOR LAW AND SOCIAL POLICY

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,164,193	\$ 2,772,022
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	74,009	35,756
Loss on disposal of property and equipment	-	1,644
Realized/unrealized gain on investments	(38,409)	(327)
Receipt of contributed securities	-	(2,738)
Reinvested earnings	(28,817)	-
Change in measurement of operating lease	87,502	112,692
Amortization of right-of-use asset	33,478	12,180
Forgiveness of loan payable - Paycheck Protection Program	-	(817,100)
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable	1,521,100	680,935
Accounts receivable	(118,211)	10,478
Prepaid expenses	127,568	(73,855)
Accounts payable and accrued expenses	(104,963)	201,897
Accrued salaries and related benefits	(12,084)	13,355
Deferred revenue	(7,000)	7,000
Net Cash from Operating Activities	<u>8,698,366</u>	<u>2,953,939</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	6,019	8,610
Purchase of investments	(9,976,108)	-
Purchase of property and equipment	(49,726)	(33,148)
Net Cash from Investing Activities	<u>(10,019,815)</u>	<u>(24,538)</u>
Cash Flow from Financing Activities		
Principal payments on finance lease	(32,933)	(24,843)
Net Cash from Financing Activities	<u>(32,933)</u>	<u>(24,843)</u>
Net change in cash and cash equivalents	(1,354,382)	2,904,558
Cash and cash equivalents, beginning of year	9,887,339	6,982,781
Cash and Cash Equivalents, End of Year	<u>\$ 8,532,957</u>	<u>\$ 9,887,339</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ 4,907	\$ 5,414
Acquisition of leased asset	\$ -	\$ 178,623

The accompanying notes are an integral part of these financial statements.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

1. DESCRIPTION OF THE ORGANIZATION

Center for Law and Social Policy (CLASP) is a non-profit organization incorporated under the laws of the District of Columbia. CLASP was established to concentrate on meeting the problems of minorities and the poor through education, research, and legal representation.

Currently, CLASP undertakes education, policy research, training, technical assistance, analyses, and reports for use by advocates, non-profit organizations, Federal, state and local officials and research and evaluation entities; these are developed to improve the lives of children, youth, adults and families with low-income. CLASP understands that poverty in America is inextricably tied to systemic racism. Therefore, CLASP will explicitly and with intention, focus their policy and advocacy efforts for economic and racial justice on systemic racism as the primary cause of poverty in communities of color in the United States. CLASP believes that centering communities of color in their advocacy leads to policies that advance economic justice for everyone. CLASP works in partnership with the people most impacted to advance policies that promote racial and economic justice.

Through high-quality analysis grounded in data and on-the-ground experience, effective advocacy, a strong public voice, and hands-on technical assistance, CLASP develops and promotes new ideas, mobilizes others, and provides guidance to government leaders and advocates to help them implement strategies that deliver meaningful results to people across America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of CLASP are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

CLASP considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2022 and 2021, cash equivalents consisted of money market accounts.

CLASP maintains its cash in a bank deposit account which, at times, may exceed Federally insured limits. The Federal Deposit Insurance Corporation (FDIC) guarantees accounts up to \$250,000 per depositor per institution. As of December 31, 2022 and 2021, CLASP has \$3,956,069 and \$5,339,214, respectively, in excess of FDIC insured limits. CLASP has not experienced any losses in their bank deposit accounts.

Fair Value Measurements

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles (GAAP) are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CLASP has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Grants and Accounts Receivables

Grants receivable represent unconditional promises to give from various contributors, including individuals and foundations. Accounts receivables represent revenue earned, but not collected, as of the end of the fiscal year.

CLASP records an allowance for doubtful accounts, if needed, equal to the estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience and a review of the current status of receivables. CLASP records all grants and accounts receivable at their net realizable value. As of December 31, 2022 and 2021, there was no allowance for doubtful accounts as management considers all amounts to be fully collectible within one year.

Property and Equipment, Net

Property and equipment purchased in excess of \$1,000 with an estimated useful life of more than one year are capitalized and recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Amortization of assets held under finance leases is included with depreciation and amortization expense. Expenditures for major repairs and improvements are capitalized and expenditures for minor repairs and maintenance are expensed as incurred.

Deferred Revenue

Deferred revenue consists of revenue related to funds for an executive course. The revenue will be recognized when the executive course occurs. Revenue received in advance of the executive course is presented as a deferred liability in the accompanying statements of financial position as of December 31, 2021.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions are those whose use by CLASP has been limited by donors, primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Revenue and Support

CLASP recognizes grants and contributions when an unconditional promise to give is received. Conditional promises to give, with measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

Grants and contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Amounts received under contracts are recognized as revenue when the related services are performed.

Unrealized and realized gains and losses, dividends, and interest from investing activities in income producing assets are included in the applicable net asset classification depending on donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the program (policy areas), general and administrative and fundraising services that benefit from those costs. General and administrative and fundraising expenses include those expenses that are not directly identified with any other specific policy area but to provide for the overall support and direction of CLASP. These have been allocated across all programs by the percentage of staff time spent on those activities.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

CLASP is a not-for-profit organization that is exempt from the payment of Federal income taxes, other than net unrelated business income, under the provisions of Section 501(c)(3) of the United States Internal Revenue Code (IRC) and is recognized as such by the Internal Revenue Service. Additionally, CLASP is classified as an organization that is not a private foundation.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. CLASP performed an evaluation of uncertain tax positions as of December 31, 2022 and 2021, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status.

As of December 31, 2022, the statute of limitations for calendar years 2019 through 2022 remains open with the U.S. Federal jurisdiction and the various state and local jurisdictions in which CLASP files tax returns. It is CLASP's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense in the statements of activities and changes in net assets.

Liquidity and Availability of Resources

The following reflects CLASP's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	2022	2021
Cash and cash equivalents	\$ 8,532,957	\$ 9,887,339
Investments	10,040,156	2,841
Grants receivable	1,430,000	2,951,100
Accounts receivable	145,950	27,739
Financial assets, at year-end	20,149,063	12,869,019
Less: those unavailable for general expenditures within one year, due to:		
Donor restrictions - purpose	5,258,413	7,530,202
Donor restrictions - time	150,000	2,182,625
Financial assets available to meet cash needs for general expenditures within one year	\$ 14,890,650	\$ 5,338,817

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

CLASP's process of liquidity management calls for the organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. As of December 31, 2022 and 2021, CLASP has financial assets equal to approximately 24 and 17 months, respectively, of operating expenses. In addition, amounts in excess of immediate cash needs are transferred to a money market account in order to earn a higher interest rate.

Subsequent Events

CLASP's management has evaluated the accompanying financial statements for subsequent events and transactions through January 31, 2024, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in methodologies used as of December 31, 2022 and 2021. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

Common stocks and fixed income: valued at the closing price reported on the active market in which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CLASP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

3. INVESTMENTS (continued)

The following tables set forth, by level, the fair value hierarchy of CLASP's investments at fair value as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 4,669	\$ -	\$ -	\$ 4,669
Fixed income	10,035,487	-	-	10,035,487
Total	<u>\$ 10,040,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,040,156</u>

	2021			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 2,841	\$ -	\$ -	\$ 2,841

For the years ended December 31, 2022 and 2021, investment income consisted of the following:

	2022	2021
Realized and unrealized gains, net	\$ 38,409	\$ 327
Interest and dividends	28,817	3,072
Total	<u>\$ 67,226</u>	<u>\$ 3,399</u>

4. PROPERTY AND EQUIPMENT, NET

As of December 31, 2022 and 2021, property and equipment consisted of the following:

	2022	2021	Useful Life
Furniture and fixtures	\$ 284,015	\$ 234,289	3-7 years
Leasehold improvements	101,517	101,517	3-5 years
	<u>385,532</u>	<u>335,806</u>	
Less: accumulated depreciation	214,726	140,717	
Property and Equipment, Net	<u>\$ 170,806</u>	<u>\$ 195,089</u>	

For the years ended December 31, 2022 and 2021, depreciation and amortization expense was \$74,009 and \$55,603, respectively.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

5. LEASE ASSET AND LIABILITY - FINANCING

Effective May 2021, CLASP terminated its finance lease for copiers early and entered into a new finance lease obligation for copiers due to expire in 2026. The monthly base lease payment is \$3,198 for the entire lease term. In connection with this lease, CLASP recorded a right of use asset and a corresponding finance lease liability in the amount of \$178,623 using an interest rate of 3.25%. The right-of-use asset and finance lease liability are being amortized over the life of the lease agreement. As of December 31, 2022 and 2021, the unamortized right-of-use asset was \$124,753 and \$158,776, respectively.

Future minimum lease payments at December 31, 2022 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 38,376
2024	38,376
2025	38,376
2026	25,584
Total	140,712
Less: interest	8,230
Total	\$ 132,482

Interest expense for the year ended December 31, 2022 and 2021, was \$4,907 and \$5,414, respectively.

6. LEASE ASSET AND LIABILITY - OPERATING

On October 10, 2019, CLASP entered into a sublease agreement for office space in Washington, D.C. The agreement commenced on June 1, 2020 and extends through May 31, 2032. Base rent is \$593,591 per year, increasing by a factor of 3% per year. Under this lease agreement, CLASP received rent abatement as follows: (i) the basic rent is abated for the first three (3) months of the first lease year; and (ii) the basic rent is abated for the first month of each of the second, third, fourth, fifth, sixth, seventh, and eighth years, as well an allowance for improvements not to exceed \$240,645. The lease also calls for CLASP to pay a security deposit in the amount of \$49,466. The security deposit is included in prepaid expenses and other assets in the accompanying statements of financial position.

As of December 31, 2022 and 2021, the unamortized right-of-use asset was \$5,212,957 and \$5,681,521, respectively, and the unamortized operating lease liability was \$5,590,009 and \$5,951,224, respectively. As of December 31, 2022 and 2021, the lease cost, including imputed interest at 3.25%, and amortization of the right-of-use asset was \$661,878 and \$657,122, respectively, and is included in occupancy expense in the accompanying statements of functional expenses.

CENTER FOR LAW AND SOCIAL POLICY

Notes to the Financial Statements December 31, 2022 and 2021

6. LEASE ASSET AND LIABILITY - OPERATING (continued)

The future minimum lease payments shown below reflect the rental payments through the termination date of the new lease.

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 586,708
2024	604,310
2025	622,439
2026	641,112
2027	660,345
Thereafter	3,450,035
Total	6,564,949
Less: present value discount	974,940
Total	\$ 5,590,009

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Purpose restricted funding	\$ 5,258,413	\$ 7,530,202
Time restricted funding (general operating support)	850,000	2,182,625
	\$ 6,108,413	\$ 9,712,827

8. RETIREMENT PLAN

CLASP provided benefits to all eligible employees under a 403(b) defined contribution plan (the Plan). Employee contributions are discretionary. Consistent with CLASP's regular practices, CLASP contributes 4% of eligible employees' salary to the plan, annually. Total contributions to the Plan for the years ended December 31, 2022 and 2021, were \$200,911 and \$134,214, respectively.