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# National Legal and Policy Center

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*“promoting ethics in public life”*



**NATIONAL LEGAL AND POLICY CENTER  
FINANCIAL REPORT**

YEARS ENDED DECEMBER 31, 2021 AND 2020

**NATIONAL LEGAL AND POLICY CENTER**  
**FINANCIAL REPORT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Legal and Policy Center  
Falls Church, Virginia

### **Opinion**

We have audited the accompanying financial statements of National Legal and Policy Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year 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 National Legal and Policy Center as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 National Legal and Policy Center 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 National Legal and Policy Center'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 National Legal and Policy Center'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 National Legal and Policy Center'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.

A handwritten signature in blue ink that reads 'Owings &amp; Company, PLLC'.

Owings & Company, PLLC

Reston, VA

June 3, 2022

NATIONAL LEGAL AND POLICY CENTER  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 356,586	\$ 597,161
Certificate of deposit	-	31,064
Investments, at fair value	454,203	1,050,389
Assets under split-interest agreements	375,722	350,799
Prepaid Expenses and other	44,832	49,295
Donated Property	-	400,000
Property and equipment, net	1,014,556	334,950
<b>Total Assets</b>	<b>2,245,899</b>	<b>2,813,658</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accruals	5,043	13,041
Credit card payable and other	14,826	30,756
Liabilities under split-interest agreements	186,608	216,331
Interest Payable	-	5,691
PPP Loan	-	94,855
<b>Total Liabilities</b>	<b>206,477</b>	<b>360,674</b>
 <b>Net Assets</b>		
Net assets without donor restrictions	2,038,762	2,456,559
Net assets with donor restrictions	660	(3,575)
<b>Total Net Assets</b>	<b>2,039,422</b>	<b>2,452,984</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$ 2,245,899</b>	 <b>\$ 2,813,658</b>

**NATIONAL LEGAL AND POLICY CENTER**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 2,461,643	\$ -	\$ 2,461,643	\$ 2,056,437	\$ -	\$ 2,056,437
Property Donation	-	-	-	400,000	-	-
	<u>2,461,643</u>	<u>-</u>	<u>2,461,643</u>	<u>2,456,437</u>	<u>-</u>	<u>2,056,437</u>
<b>EXPENSES</b>						
<b>Program Services</b>						
Government Integrity Project	911,752	-	911,752	657,864	-	657,864
Corporate Integrity Project	558,816	-	558,816	403,207	-	403,207
Organized Labor Accountability Project	647,050	-	647,050	466,871	-	466,871
Total Program Services	<u>2,117,618</u>	<u>-</u>	<u>2,117,618</u>	<u>1,527,941</u>	<u>-</u>	<u>1,527,941</u>
<b>Support Services</b>						
Fundraising	411,759	-	411,759	297,100	-	297,100
Management and general	<u>411,759</u>	<u>-</u>	<u>411,759</u>	<u>297,100</u>	<u>-</u>	<u>297,100</u>
Total Support Services	<u>823,518</u>	<u>-</u>	<u>823,518</u>	<u>594,199</u>	<u>-</u>	<u>594,199</u>
Total Program and Support Services	<u>2,941,136</u>	<u>-</u>	<u>2,941,136</u>	<u>2,122,141</u>	<u>-</u>	<u>2,122,141</u>
Operating (Loss) Income	<u>(479,493)</u>	<u>-</u>	<u>(479,493)</u>	<u>334,297</u>	<u>-</u>	<u>334,297</u>
<b>Other Revenue and Expenses</b>						
Interest and dividends	15,722	-	15,722	21,259	-	21,259
Gain on extinguishment of debt (PPP Loan)	94,855	-	94,855	-	-	-
Change in value of assets and liabilities under split-interest agreements	43,457	4,235	47,692	12,525	(3,221)	9,304
Realized and unrealized gains and losses on investments	<u>(92,338)</u>	<u>-</u>	<u>(92,338)</u>	<u>127,812</u>	<u>-</u>	<u>127,812</u>
Total Other Revenue and Expenses	<u>61,695</u>	<u>4,235</u>	<u>65,931</u>	<u>161,596</u>	<u>(3,221)</u>	<u>158,375</u>
<b>Change in Net Assets</b>	(417,797)	4,235	(413,562)	495,893	(3,221)	492,672
<b>Net Assets Beginning of Year</b>	<u>2,456,559</u>	<u>(3,575)</u>	<u>2,452,984</u>	<u>1,960,666</u>	<u>(354)</u>	<u>1,960,312</u>
<b>Net Assets End of Year</b>	<u>\$ 2,038,762</u>	<u>\$ 660</u>	<u>\$ 2,039,422</u>	<u>\$ 2,456,559</u>	<u>\$ (3,575)</u>	<u>\$ 2,452,984</u>

## NATIONAL LEGAL AND POLICY CENTER

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b><i>Cash Flow from Operating Activities</i></b>		
Change in net assets	\$ (479,493)	\$ 334,297
Noncash items included in change in net assets		
Depreciation and amortization	2,154	13,952
Income from Split-interest agreements	47,692	9,304
Realized and unrealized gains and losses on investments	(92,338)	127,812
Stock Donation	(9,135)	(28,007)
Property Donation	-	(400,000)
Certificate of deposit	31,064	(4)
Prepaid expenses and other	4,463	353
Liabilities under split interest agreements	(29,723)	24,575
Assets under split interest agreements	(24,923)	(64,030)
Accounts payable and accruals	(7,998)	(94,858)
Investments	596,185	90,995
Interest payable	(5,691)	5,691
Credit card payable and other	(15,930)	13,276
Net Cash Provided by Operating Activities	16,328	33,357
<b><i>Cash Flow from Investing Activities</i></b>		
Purchase of Building	(679,606)	-
Contributions received under split-interest agreements	10,000	50,000
Proceeds from Sale of Building	400,000	-
Proceeds from investments	15,722	21,259
Final mortgage payment	111,141	-
Net Cash Provided by Investing Activities	(142,743)	71,259
<b><i>Cash Flow from Financing Activities</i></b>		
Gain on extinguishment of debt	(94,855)	94,855
Payments to beneficiaries of split-interest agreements	(19,305)	(18,995)
Net Cash Provided (Used) by Financing Activities	(114,160)	75,860
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(240,575)	180,476
<b>Cash and Cash Equivalents, beginning of year</b>	597,161	416,685
<b>Cash and Cash Equivalents, end of year</b>	\$ 356,586	\$ 597,161

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

The National Legal and Policy Center (the Center) was organized as a nonstock, nonprofit corporation within the District of Columbia in 1991. The Center was founded to promote public service ethics and accountability in government through the advocacy of the 10-point "Code of Ethics for Government Service" passed by the Senate in 1958. This Code of Ethics, which is widely distributed by the Center, is the focal point for the Center's activities.

The Center engages in nonpartisan study, analysis, and research for the general public on issues relating primarily to ethics and accountability. The results of these activities are documented by the Center and made available to the general public through quarterly and biweekly newsletters, reports, letters, the Internet, conferences, and other means of communication. The Center publicizes, on a nonpartisan basis, corruption, abuses, and the misappropriation of funds to educate and, consequently, motivate the general public and the government to exert pressure and sanctions against unethical behavior and the misuse of funds.

The major programs of the Center are as follows:

#### Government Integrity Project (GIP)

This project focuses on the accountability and ethics of government bureaucracies and employees. The Center investigates and exposes to the government and the general public unethical or illegal practices of government agencies, public officials, and government employees, as well as organizations and individuals that impact the governmental process.

#### Corporate Integrity Project (CIP)

This project promotes integrity in corporate governance, including honesty and fair play in relationships with shareholders, employees, business partners and customers. The Center exposes and publicizes the influence of corrupt corporate executives on public officials and political systems.

#### Organized Labor Accountability Project (OLAP)

This project focuses on the accountability of labor unions and their corrupting influence on government officials. The Center investigates and exposes to the general public the political abuses of labor unions and the unethical and criminal behavior of labor union leaders.

#### **Method of Accounting**

The financial statements are prepared on the accrual basis of accounting.

#### **Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The Center maintains its cash balances with various financial institutions which, at times, may exceed federally insured limits of \$250,000. The Center has not experienced any losses from such accounts.

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

#### **Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Donated securities or other assets that have no donor-imposed restrictions and that are immediately converted into cash are recorded as cash flows from operating activities in the accompanying statements of cash flows. During 2021 and 2020, the Center did not receive any donated securities that were immediately converted into cash.

#### **Property and Equipment**

We record property and equipment additions over \$5,000 at cost. Property and equipment is recorded at cost. Depreciation is computed using the straight-line method and is based on the following estimated useful lives:

Building	39 years
Machinery and equipment	5 - 7 years

When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in earnings. Expenditures for maintenance, repairs, and improvements that do not materially extend the useful lives of property and equipment are charged to earnings when incurred.

#### **Split-Interest Agreements**

The Center is the beneficiary of a number of split-interest agreements with donors. The Center may control donated assets and shares with the donor or the donor's designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are generally for the Center's unrestricted use.

The Center records the assets of the agreements (at fair value) if the assets are controlled and invested by the Center. The Center records contribution revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. Adjustments to the annuity liabilities to reflect amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a change in valuation of split-interest agreements.

The discount rate used in valuing split-interest agreement liabilities ranged from 1.4 percent to 6 percent for the years ended December 31, 2021 and 2020.

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All gifts are without donor restrictions except for those governed by states that require segregation of the contributed assets of the donor, which are classified as with donor restrictions. Where applicable, the Center complies with the reserve requirements of individual states that have such requirements, including California and Florida. The balance of these reserve accounts approximated \$26,000 and \$26,000 at December 31, 2021 and 2020, respectively.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Center reports noncash gifts as net assets without donor restriction support unless explicit donor stipulations specify how the donated assets must be used.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are acquired or placed in service.

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Center reports contributions whose restrictions are met in the same reporting period as the contribution is received as net assets without donor restriction. There are no restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Support**

The Center is supported primarily through donor contributions and grants. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a split-interest gift is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Gifts of stocks and securities are valued at their estimated fair market value on the date they are received.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in Note 11. The functional expenses present the natural classification detail of expenses by function. Accordingly, direct program costs have been allocated among the programs and supporting services benefited based on specific identification or allocated based on estimated labor hours.

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides 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. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). 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 FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Center 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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. 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. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

*Certificates of deposit:* Valued at cost plus accrued interest, which approximates market value.

*Equity securities:* Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Center at year end.

*Assets under split-interest agreements:* The fair value of mutual funds and money market funds held under split-interest agreements are valued at the NAV of shares held at year end.

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Center 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.

#### **Income Tax Status**

The Center is a nonprofit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

The Center has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Center files an informational income tax return for Federal reporting purposes. The Center is not currently under audit by any income tax jurisdictions.

#### **Concentrations**

For the year ended December 31, 2021, the Center received approximately \$250,000, equaling 9 percent of its contributions, from one donor. For the year ended December 31, 2020, the Center received approximately \$175,300, equaling 9 percent of its contributions, from one donor.

#### **Financial Statement 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

#### **Recent Accounting Pronouncements**

##### ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021 (or December 15, 2019 for a not-for-profit that has issued, or is a conduit debt obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and had not yet as of June 3, 2020, issued or made available for issuance financial statements reflecting the adoption of *Leases*).

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 2. LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date for general expenditure are as follows at December 31, 2021:

Cash and cash equivalents	\$	356,586
Investments, at fair value		454,203
	\$	<u>810,789</u>

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center has a goal to maintain financial assets, which consist of cash, short-term investments and selected mutual funds, on hand to meet six months of normal operating expenses, which approximates \$1,470,568.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	1,188,310	515,270
Equipment	30,725	30,725
Totals	1,219,035	545,995
Less: Accumulated Depreciation	<u>(265,529)</u>	<u>(263,375)</u>
	953,506	282,620
Land	61,050	452,330
Property and equipment, net	<u>\$ 1,014,556</u>	<u>\$ 734,950</u>

### 4. INVESTMENTS

The Center received contributed stock with a fair value of \$9,135 and \$28,007 during the years ended December 31, 2021 and 2020, respectively.



# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 5. FAIR VALUE MEASUREMENTS (continued)

Equity securities consist primarily of common stocks of large U.S. corporations. Based on its analysis of the nature and risks of these equity securities, the Center has determined that presenting them as a single class is appropriate.

We evaluated the significance of transfers between the levels based upon the nature of the financial instrument and size of the transfer relative to the total investments. For the years ended December 31, 2021 and 2020, there were no transfers in or out of Levels 1, 2 or 3.

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the investment securities will occur in the near term and such changes could materially affect the Center's investments and the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

### 6. SPLIT-INTEREST AGREEMENTS

Contributions for split-interest agreements were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Without Donor Restrictions	10,000	24,575
With Donor Restrictions	<u>0</u>	<u>0</u>
	10,000	24,575

### 7. TAX-DEFERRED ANNUITY PLAN

The Center has a tax-deferred annuity plan (the Plan), qualified under Section 403(b)(7) of the IRC. The Plan covers full-time employees of the Center. Employees may make contributions to the Plan up to the maximum allowed by the IRC. The Center made a discretionary contribution at year end equal to 100 percent of employee deferrals. Contributions to the Plan by the Center for the years ended December 31, 2021 and 2020 were \$65,400 and \$45,983, respectively.

### 8. LIFE INSURANCE

The Center owns a term life insurance policy on the life of the Chairman, where the Center is the beneficiary. During 2018, the Center's former Chairman passed away, and the Center received the entire proceeds from the former Chairman's life insurance policy of approximately \$1,000,000. The face value of the policy for the current Chairman is \$2,500,000.

### 9. RELATED PARTY RECEIVABLE

The Center provided a loan to an employee in the amount of \$15,000 in 2017 and \$15,000 in 2018, with an interest rate of 4.5 percent. The balance of the loan was \$28,500 on December 31, 2021 and \$30,000 at December 31, 2020. The balance is included in prepaid expenses and other on the accompanying statements of financial position.

# NATIONAL LEGAL AND POLICY CENTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 10. FUNCTIONAL EXPENSES

Functional expenses by natural category are as follows for the year ended December 31, 2021:

	Program Services				Support Services		
	Government Integrity	Corporate Integrity	Organized Labor Accountability	Total Program Services	Fundraising	Management and General	Total
<b>Expenses</b>							
Salaries and employee benefits	\$ 317,249	\$ 194,443	\$ 225,145	\$ 736,837	\$ 143,274	\$ 143,274	\$ 1,023,384
Direct Mail	304,899	186,873	216,380	708,152	137,696	137,696	983,544
Professional Fees	67,556	41,405	47,943	156,905	30,509	30,509	217,923
Insurance and Medical Reimbursement	55,147	33,800	39,137	128,083	24,905	24,905	177,893
Occupancy	11,492	7,044	8,156	26,691	5,190	5,190	37,071
Miscellaneous	155,409	95,251	110,290	360,950	70,185	70,185	501,319
<b>Total Expenses</b>	<b>\$ 911,752</b>	<b>\$ 558,816</b>	<b>\$ 647,050</b>	<b>\$ 2,117,618</b>	<b>\$ 411,759</b>	<b>\$ 411,759</b>	<b>\$ 2,941,136</b>

### 11. PROPERTY SALE

In December 2020, the Organization received a grant deed as a gift of residential property. The property was appraised at \$400,000 and recorded at that fair value. In January of 2021, the title was recorded, and the Organization satisfied an outstanding mortgage in the amount of \$111,141. On April 30, 2021 the property was sold at its fair value of \$400,000. Closing costs of \$23,964 were paid from proceeds which resulted in a net sale of \$264,895.

### 12. SUBSEQUENT EVENTS

On December 1<sup>st</sup>, 2021, the Organization purchased a townhouse office as an investment for \$681,760. On February 16, 2022 the property was sold for \$762,058.

On March 11, 2021 the World Health Organization declared the novel strain of coronavirus (COVID 19) a global pandemic and recommended containment and mitigation measures worldwide. The length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows cannot be reasonably estimated for fiscal 2021. As of the date of the financial statements, operations have continued subject to regulated limitations and restrictions.

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 3, 2022, which is the date on which the financial statements were available to be issued.