



**THE CAMPAIGN LEGAL CENTER, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**THE CAMPAIGN LEGAL CENTER, INC.**

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DECEMBER 31, 2022**

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## **Independent Auditor's Report**

Board of Trustees  
The Campaign Legal Center, Inc.  
Washington, D.C.

### ***Opinion***

We have audited the accompanying financial statements of The Campaign Legal Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, 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 The Campaign Legal Center, Inc., as of December 31, 2022, 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 The Campaign Legal Center, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 2 of the financial statements, The Campaign Legal Center, Inc., adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. Our opinion is not modified with respect to these matters.

### ***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 The Campaign Legal 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 of The Campaign Legal 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 The Campaign Legal 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.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
June 20, 2023

Certified Public Accountants

THE CAMPAIGN LEGAL CENTER, INC.

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

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<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 27,425,077
Promissory Notes Receivable	2,000,000
Certificates of Deposit	236,557
Pledges Receivable	5,363,267
Due from Campaign Legal Center Action	60,501
Prepaid Expenses	125,273
Other Current Assets	<u>47,670</u>
Total Current Assets	35,258,345
<b>Pledges Receivable, Net of Current Portion</b>	4,368,728
<b>Operating Right-of-Use Asset</b>	1,595,382
<b>Property and Equipment, Net</b>	831,491
<b>Security Deposit</b>	<u>87,874</u>
<b>Total Assets</b>	<u><u>\$ 42,141,820</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	\$ 564,697
Operating Lease Liability	<u>551,916</u>
Total Current Liabilities	1,116,613
<b>Operating Lease Liability, Net of Current Portion</b>	<u>1,686,899</u>
Total Liabilities	2,803,512
<b>Net Assets</b>	
Without Donor Restrictions	
Undesignated	6,997,379
Board Designated for Reserve Fund	13,350,000
Board Designated Separate Account	2,500,000
Board Designated for President's Emergent Threat Fund	<u>2,000,000</u>
Total Net Assets Without Donor Restrictions	24,847,379
With Donor Restrictions	<u>14,490,929</u>
Total Net Assets	<u>39,338,308</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 42,141,820</u></u>

See accompanying Notes to Financial Statements.

**THE CAMPAIGN LEGAL CENTER, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Contributions and Grants	\$ 9,463,865	\$ 15,562,045	\$ 25,025,910
Donated Services	90,227	-	90,227
Reimbursed Legal Fees	284,703	-	284,703
Service Revenue	115,000	-	115,000
Interest Income	229,858	-	229,858
Other	4,221	-	4,221
Net Assets Released from Restrictions	<u>8,055,551</u>	<u>(8,055,551)</u>	<u>-</u>
Total Revenue	18,243,425	7,506,494	25,749,919
<b>Expenses</b>			
Program	9,626,034	-	9,626,034
Administrative	2,475,110	-	2,475,110
Fundraising	<u>1,155,114</u>	<u>-</u>	<u>1,155,114</u>
Total Expenses	<u>13,256,258</u>	<u>-</u>	<u>13,256,258</u>
Change in Net Assets	4,987,167	7,506,494	12,493,661
Net Assets, Beginning of Year	<u>19,860,212</u>	<u>6,984,435</u>	<u>26,844,647</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 24,847,379</u></u>	<u><u>\$ 14,490,929</u></u>	<u><u>\$ 39,338,308</u></u>

*See accompanying Notes to Financial Statements.*

**THE CAMPAIGN LEGAL CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Voting Rights</u>	<u>Ethics</u>	<u>Redistricting</u>	<u>Campaign Finance</u>	<u>Communications</u>	<u>Policy</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Expenses</b>											
Salaries and Benefits	\$ 1,651,937	\$ 593,352	\$ 973,613	\$ 1,778,745	\$ 872,534	\$ 627,115	\$ 526,644	\$ 7,023,940	\$ 1,550,866	\$ 960,310	\$ 9,535,116
Professional Fees	109,152	3,000	-	562	328,987	-	-	441,701	430,437	49	872,187
Litigation Expenses	152,843	-	307,197	5,370	-	-	1,742	467,152	-	-	467,152
Conferences and Meetings	13,854	-	-	600	-	-	-	14,454	7,604	-	22,058
Depreciation and Amortization	-	-	-	-	-	-	-	-	289,362	-	289,362
Insurance	-	-	-	-	-	-	-	-	126,461	-	126,461
Operating Lease Expense	-	-	-	-	-	-	-	-	526,511	-	526,511
Office Expense	42,259	1,408	19,775	3,627	40,524	728	11,088	119,409	116,436	14,243	250,088
Telecommunications	-	-	-	-	-	-	3,091	3,091	35,286	-	38,377
Travel	67,641	9,739	27,589	17,227	15,689	7,646	11,454	156,985	14,806	48,139	219,930
Miscellaneous	173	-	250	5	-	-	100	528	25,702	1,764	27,994
Grants to Other Organizations	243,837	-	-	-	-	-	-	243,837	-	-	243,837
Outreach	145,862	-	51	-	168,433	-	-	314,346	-	9,998	324,344
Research Services	39,173	23,698	37,491	48,870	14,517	15,681	26,751	206,181	72,722	33,938	312,841
Shared Cost Allocation	149,095	53,553	87,874	160,541	78,750	56,600	47,997	634,410	(721,083)	86,673	-
<b>Total Expenses</b>	<u>\$ 2,615,826</u>	<u>\$ 684,750</u>	<u>\$ 1,453,840</u>	<u>\$ 2,015,547</u>	<u>\$ 1,519,434</u>	<u>\$ 707,770</u>	<u>\$ 628,867</u>	<u>\$ 9,626,034</u>	<u>\$ 2,475,110</u>	<u>\$ 1,155,114</u>	<u>\$ 13,256,258</u>

See accompanying Notes to Financial Statements.

THE CAMPAIGN LEGAL CENTER, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 12,493,661
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	289,362
Operating Lease Expense	526,511
Gain on Certificates of Deposit	(1,021)
<u>(Increase) Decrease in Assets</u>	
Pledges Receivable	(4,461,943)
Due from Campaign Legal Center Action	(54,836)
Prepaid Expenses	(24,343)
Other Current Assets	(47,045)
Security Deposit	15,017
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	115,589
Operating Lease Liability	<u>(683,692)</u>
Net Cash Provided by Operating Activities	8,167,260
<b>Cash Flows from Investing Activities</b>	
Redemptions of Promissory Notes Receivable	7,000,000
Purchases of Property and Equipment	<u>(221,990)</u>
Net Cash Provided by Investing Activities	<u>6,778,010</u>
Net Increase in Cash and Cash Equivalents	14,945,270
Cash and Cash Equivalents, Beginning of Year	<u>12,479,807</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 27,425,077</u></u>
<b>Noncash Transactions from Investing and Financing Activities</b>	
Establishment of Right-of-Use Asset	\$ 2,087,827
Establishment of Lease Liability	2,888,441

See accompanying Notes to Financial Statements.



THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Campaign Legal Center, Inc. (CLC), is a District of Columbia nonprofit corporation. CLC works as a nonpartisan organization to protect and strengthen the democratic process across all levels of government through litigation and advocacy.

CLC is supported primarily by contributions and grants.

The major programs of CLC are as follows:

**Voting Rights:** Voting should be accessible for all citizens, no matter where they live, the color of their skin or how much money they make. To make every vote count, we need a system that is free and fair to ensure that everyone's voice is heard, including those who have had contact with the criminal legal system. CLC believes that state and federal policies should uniformly protect the right to vote and promote voter participation across the United States. This CLC program, through litigation, policy analysis, state-based and federal advocacy, and public education, seeks to protect the right to vote and expand access to the ballot.

**Ethics:** One of the hallmarks of a healthy democracy is public confidence in the integrity of democratic institutions. That public confidence is earned through the commitment of those in and working with government to uphold the principle that public service is a public trust. Federal, state, and local governments have a responsibility to enact and enforce clear ethical guidelines and laws. Only then, can public officials adequately navigate potential conflicts and be held accountable when they break the public's trust. This system is necessary to ensure a healthy democracy. This CLC program proposes solutions for stronger ethics at all levels of government, and serves as a government watchdog, holding elected officials accountable for ethics violations.

**Redistricting:** Democracy works best when our voting maps are fairly drawn on a nonpartisan basis to ensure that Americans can participate equally in the election of their representatives. Unfortunately, incumbents often rig the system to benefit themselves, their party, and special interest supporters, manipulating voting maps to dictate the outcome of elections. Two sources of discrimination in voting maps are partisan gerrymandering and electoral systems that underrepresent people of color. The result is dysfunction, mistrust, and public policies that ignore the will of the people. This CLC program advances and supports legal cases that address redistricting violations, works on the front lines in the fight for fair redistricting practices in the states, and continues to promote voters' rights to fair districts nationwide.

**Campaign Finance:** The First Amendment guarantees every American the right to participate fully in the political process. The dependence of political candidates on wealthy special interests is a serious flaw in our political system and makes elected officials responsive to their large donors rather than to the public. The tremendous power of special interest money in politics often drowns out the voice of everyday Americans, threatens our First Amendment freedoms, and erodes the foundations of our entire democracy. To restore fairness to our political system, this CLC program advocates for passing and enforcing strong campaign finance reforms that help guarantee a democracy that is both representative of and responsive to the people. These reform solutions include placing reasonable limits on funding of campaigns, complete transparency of campaign spending and public financing of elections. CLC helps enact such policies at the state, local, and federal levels, and works to ensure that the Federal Election Commission enforces current campaign finance laws. CLC also defends laws that promote the First Amendment's guarantee that every American has the ability to participate in the democratic process.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Policy:** CLC's policy program works to advance pro-democracy, pro-voter laws and the federal, state, and local levels. CLC brings decades of policy and legal expertise to our work with government officials, civic organizations, and grassroots advocates. CLC is engaged through the entire life cycle of the law: developing policy, drafting legislation and ballot initiatives, and ensuring effective implementation through administrative advocacy. The policy program works across CLC program teams to develop strategic advocacy strategies and effective partnerships. In advance of the 2024 presidential election, the policy program is focused on preventing the threats of election sabotage. This includes identifying strategic opportunities to shore up gaps in election procedures through legislative and administrative advocacy, and developing robust coalitions to respond to attempts to manipulate processes.

**Communications:** The Communications department leads the communication-centered tactics that CLC uses to achieve policy and litigation wins that advance democracy. This department works to boost awareness and provide education around priority issues as well as leading coalition messaging efforts. CLC's Communications department's overarching goals are to: advance CLC's programmatic goals using communications strategies, grow CLC's brand as a pro-voter, inclusive organization, and maintain CLC's reputation as nonpartisan.

*Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when incurred.

*Cash and Cash Equivalents*

CLC considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents.

*Promissory Notes Receivable*

CLC has promissory notes from CNote Group, Inc. (the Group), for funds CLC has committed to the Group. The Group invests the funds in certificates of deposit (CDs) or other bank deposit accounts on behalf of CLC. However, CLC does not have any direct ownership rights in and to the CDs or deposit accounts. The notes are interest bearing at a rate ranging from 0.1% - 0.4% per annum in 2022. Interest is accrued and paid on a monthly basis. The initial maturity of the note is three months and is automatically extended for additional three-month terms unless CLC submits a timely withdrawal request. At any time prior to the maturity date, provided that sufficient funds are available to the Group, CLC may withdraw the amount owed.

*Certificates of Deposit*

Certificates of deposit are recorded at cost plus accrued interest, which approximates market value. Upon maturity, the funds are automatically reinvested in certificates of deposit with similar interest rates and maturities.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Pledges Receivable*

Pledges expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a rate established at the time of donation by management, if such discount is material. Present value discounts are amortized over the life of the pledge. CLC reviews the collectability of the receivables on a regular basis. Management considers all pledges receivable to be fully collectible, and accordingly, does not believe any allowance for uncollectible pledges is necessary as of December 31, 2022.

*Property and Equipment*

CLC capitalizes all property and equipment acquisitions greater than \$2,000. Property and equipment are recorded at cost, if purchased, or at fair market value, if donated. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the related assets or the remaining lease term and is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Maintenance and repairs are charged to expense when incurred.

*Website Development Costs*

CLC capitalizes costs for website development incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal and external costs, if direct and incremental, are capitalized until the website is substantially complete and ready for its intended use.

*Right-of-Use Assets and Lease Liabilities*

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring CLC's right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

CLC considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, CLC does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation*

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

*Net Assets Without Donor Restrictions* - net assets that are not subject to donor-imposed purpose or time restrictions.

*Net Assets With Donor Restrictions* - net assets subject to donor-imposed stipulations that will be met either by actions of CLC and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Revenue Recognition*

Unconditional contributions and grants are recorded as with donor restrictions or without donor restrictions depending on existence and/or the nature of any donor restrictions, when pledged.

Conditional contributions and grants are reported as refundable advances until the conditions have been substantially met or explicitly waived by the donor. Revenue is recognized on the date the conditions are met.

Service revenue is primarily related to legal advice and services on election-related legislation and policy, as contracted. Service revenue is recognized over time as services are provided.

Reimbursed legal fees are recognized once the court has approved the settlement and CLC has received the reimbursement.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy, insurance, and other general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to programs and supporting activities are presented accordingly.

*Income Taxes*

CLC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

CLC requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. CLC does not believe its financial statements include, or reflect, any uncertain tax positions. CLC’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination generally for three years after filing.

*Donated Services*

Donated services are recognized as contributions, at fair value, if the services (a) create nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CLC.

2. ADOPTION OF ACCOUNTING STANDARDS

*Adoption of Accounting Standards Codification Topic 842*

During the year ended December 31, 2022, CLC adopted the Financial Accounting Standards Board’s (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. CLC also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position.

CLC adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, an operating right-of-use asset and lease liability totaling approximately \$2,088,000 and \$2,888,888, respectively, was recognized as of January 1, 2022. Existing deferred rent and lease incentive of approximately \$801,000 as of January 1, 2022, is included as a reduction to the initial measurement of the right-of-use asset for the operating lease.

*Adoption of Accounting Standards Update 2020-07*

During the year ended January 1, 2022, CLC adopted the Financial Accounting Standards Board’s (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofits through enhancements to presentation and disclosure. Specifically, the ASU addresses the lack of transparency surrounding the measurement of contributed nonfinancial assets, as well as the amount of those contributions

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

2. **ADOPTION OF ACCOUNTING STANDARDS (CONTINUED)**

*Adoption of Accounting Standards Update 2020-07 (Continued)*

used in programs and other activities. Management believes that the adoption of this ASU enhances the transparency of financial information among nonprofit entities. The change in accounting principle was applied on a retrospective basis.

3. **PLEDGES RECEIVABLE**

Pledges receivable consisted of the following as of December 31, 2022:

<u>Description</u>	<u>Amount</u>
Pledges Receivable Due in Less Than One Year	\$ 5,363,267
Pledges Receivable Due in One to Five Years	4,686,833
Total Pledges Receivable	10,050,100
Less Discount to Net Present Value	(318,105)
Total Pledges Receivable	<u>\$ 9,731,995</u>

Pledges receivable have been discounted using a discount rate of 1% to 4.75%.

4. **LIQUIDITY AND AVAILABLE RESOURCES**

CLC's liquidity policy requires CLC to maintain sufficient liquid financial assets in order to meet general expenditures and obligations as they become due, specifically to maintain cash and cash equivalents equal to at least six months of routine operating expenditures. Management periodically reviews CLC's liquid asset needs and adjusts reserves as needed.

Management may use the Board Designated Reserve and the Board Designated Separate Account only with approval from CLC's Board of Trustees. CLC's President manages the Board Designated President's Emergent Threat Fund and may use funds without Board approval. The Board Designated Reserve, the Board Designated Separate Account, and Board Designated President's Emergent Threat Fund are included in cash and cash equivalents on the statement of financial position.

**THE CAMPAIGN LEGAL CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**4. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)**

As of December 31, 2022, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2023:

Financial Assets	Amount
Cash and Cash Equivalents	\$ 27,425,077
Promissory Notes Receivable	2,000,000
Certificates of Deposit	236,557
Due from Campaign Legal Center Action	60,501
Pledges Receivable in Less Than One Year	5,363,267
Total Financial Assets Available within One Year	35,085,402
Less Donor Restricted for Purpose and Beyond One Year	(7,583,180)
Less Board Designated for Reserve Fund	(13,350,000)
Less Board Designated Separate Account	(2,500,000)
Less Board Designated for President's Emergent Threat Fund	(2,000,000)
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	\$ 9,652,222

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2022:

Description	Amount
Computer Equipment	\$ 325,249
Furniture and Equipment	370,501
Website	432,379
Leasehold Improvements	823,600
Total	1,951,729
Less Accumulated Depreciation and Amortization	(1,120,238)
Property and Equipment, Net	\$ 831,491

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes as of December 31, 2022:

Description	Amount
Campaign Finance	\$ 29,254
Voting Rights	515,991
Redistricting	45,833
Personnel	154,173
Anti-Sabotage Project	9,232,503
Subsequent Years' Activities	4,513,175
Donor Restricted Net Assets	\$ 14,490,929

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**6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2022, by satisfying restrictions as follows:

Description	Amount
Campaign Finance	\$ 154,762
Voting Rights	768,285
Redistricting	253,687
Personnel	127,370
Anti-Sabotage Project	843,003
Subsequent Years' Activities	5,908,444
Net Assets Released from Restrictions	<u>\$ 8,055,551</u>

**7. CONCENTRATIONS**

As of December 31, 2022, approximately 64% of pledges receivable was due from one donor. For the year ended December 31, 2022, approximately 39% of contributions and grants revenue was received from one grantor.

CLC maintains cash balances at financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, CLC's cash balances exceeded the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**8. OPERATING LEASE**

CLC is obligated under an operating lease for office space through October 2026. The lease includes six months of rent abatement. Under the terms of the lease, the base lease payment increases annually based on scheduled increases provided for in the lease plus the pass-through of increases in operating expenses and real estate taxes. CLC received lease incentives totaling approximately \$785,000. During 2020, CLC entered into an amendment to this operating lease to expand the office space with a term from March 2020 through August 2022. The lease amendment includes three months of rent abatement for the expansion space and additional lease incentives of approximately \$39,000. The lease does not contain an option to extend the lease term or terminate early.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term. CLC had no variable or short-term lease expense in 2022.



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**8. OPERATING LEASE (CONTINUED)**

Maturity of the operating lease liability as of December 31, 2022, is as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 578,489
2024	592,975
2025	607,782
2026	518,497
Total Undiscounted Minimum Lease Payments	2,297,743
Less Discount to Present Value	(58,928)
Total Operating Lease Liability	<u>\$ 2,238,815</u>

The supplementary qualitative operating lease information is as follows:

<u>Supplementary Qualitative Operating Lease Information</u>	<u>Amount</u>
Weighted-Average Remaining Lease Term (Years)	3.83
Weighted-Average Discount Rate	1.37%

**9. RETIREMENT PLAN**

CLC maintains a 401(k) plan (the Plan) that covers all employees who meet certain age and service requirements. Employees are eligible for discretionary profit-sharing contributions after completing one year of eligibility and being employed on the last day of the year. Employees are eligible for 100% matching contributions of their elective deferrals up to 5% of compensation depending on years of service with CLC. There is no service requirement for elective deferrals and matching contributions. During the year ended December 31, 2022, CLC's contributions to the Plan were approximately \$275,600.

**10. DONATED SERVICES**

During the year ended December 31, 2022, CLC was the beneficiary of professional services that are included in contributions and grants in the statement of activities. The donated professional services were valued based on current market rates for such services. The value approximated \$90,200 for the year ended December 31, 2022, and was included in communications expenses in the statement of functional expenses.

**11. RELATED PARTY TRANSACTIONS**

CLC has a cost-sharing agreement with Campaign Legal Center Action (Action) a nonprofit organization exempt under Section 501(c)(4) of the Internal Revenue Code. The agreement covers personnel costs, rent, and other overhead costs. During the year ended December 31, 2022, Action incurred costs under the cost-sharing agreement of approximately \$205,400.

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**12. RESPONSE TO COVID-19**

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

**13. SUBSEQUENT EVENTS**

Subsequent events were evaluated through June 20, 2023, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2022, the promissory notes receivable of \$2,000,000 was withdrawn and transferred to cash.