

**WILLIAM J. BRENNAN JR.  
CENTER FOR JUSTICE, INC. AND AFFILIATE**

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**JUNE 30, 2019 AND 2018**

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### Board of Trustees

**William J. Brennan Jr.**

Center For Justice, Inc. And Affiliate  
New York, New York

We have audited the accompanying financial statements of William J. Brennan, Jr. Center For Justice, Inc. and Affiliate (the “*Center*”) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and of cash flows for the year then ended and the related notes to the financial statements.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William J. Brennan, Jr. Center For Justice, Inc. and Affiliate as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Board of Trustees**  
**William J. Brennan Jr.**  
**Center For Justice, Inc. And Affiliate**  
**New York, New York**

**Report on Summarized Comparative Information**

We have previously audited the Center's 2018 financial statements, and our report dated September 25, 2018, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of consolidating statement of financial position on page 19 and schedule of consolidating statement of activities and changes in net assets on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania**  
**September 24, 2019**

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,419,950	\$ 12,730,033
Pledges receivable ( <i>Note 2</i> )	434,781	101,142
Grants receivable ( <i>Note 3</i> )	4,048,902	6,418,095
Other assets	372,586	370,898
Investments ( <i>Note 4</i> )	9,894,859	8,597,965
Leasehold improvements, furniture and equipment (net of accumulated depreciation of \$1,058,403 and \$634,465) ( <i>Note 5</i> )	<u>5,431,181</u>	<u>4,332,727</u>
<b>Total Assets</b>	<b><u>\$ 36,602,259</u></b>	<b><u>\$ 32,550,860</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 857,398	\$ 1,030,569
Deferred revenue	50,500	5,000
Deferred rent ( <i>Note 9</i> )	1,661,538	1,470,165
Note Payable ( <i>Note 6</i> )	<u>2,214,286</u>	<u>2,642,857</u>
<b>Total Liabilities</b>	<b><u>4,783,722</u></b>	<b><u>5,148,591</u></b>
Net Assets		
Without donor restrictions		
Undesignated	15,287,161	9,637,440
Board Designated – Brennan Legacy Fund	6,985,036	4,072,210
Quasi-endowment	<u>-</u>	<u>1,791,872</u>
<b>Total Unrestricted</b>	<b>22,272,197</b>	<b>15,501,522</b>
With donor restrictions ( <i>Note 7</i> )	<u>9,546,340</u>	<u>11,900,747</u>
<b>Total Net Assets</b>	<b><u>31,818,537</u></b>	<b><u>27,402,269</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 36,602,259</u></b>	<b><u>\$ 32,550,860</u></b>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended June 30, 2019 With Summarized Information For The Year Ended June 30, 2018**

	Without Donor Restrictions			With Donor Restrictions	2019 Total	2018 Total
	Undesignated	Board Designated	Total			
<b>Operating Revenue</b>						
Grants, net	\$ -	\$ 250,000	\$ 250,000	\$ 6,692,647	\$ 6,942,647	\$ 13,083,994
Contributions	17,605,990	558,652	18,164,642	-	18,164,642	9,547,157
Pledges	-	-	-	-	-	3,794
Special events net of direct expenses of \$222,780 in 2019 and \$196,679 in 2018	822,887	-	822,887	-	822,887	759,774
Legal fees recovered and other income	-	-	-	-	-	694
Interest and dividend income (loss), net	148,454	(3,983)	144,471	17,215	161,686	84,401
Net assets released from restrictions ( <i>Note 7</i> )	<u>9,026,714</u>	<u>167,500</u>	<u>9,194,214</u>	<u>(9,194,214)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenue</b>	<u>27,604,045</u>	<u>972,169</u>	<u>28,576,214</u>	<u>(2,484,352)</u>	<u>26,091,862</u>	<u>23,479,814</u>
In-kind services ( <i>Note 10</i> )	<u>6,417,552</u>	<u>-</u>	<u>6,417,552</u>	<u>-</u>	<u>6,417,552</u>	<u>8,718,492</u>
<b>Total operating revenues and in-kind services</b>	<u>34,021,597</u>	<u>972,169</u>	<u>34,993,766</u>	<u>(2,484,352)</u>	<u>32,509,414</u>	<u>32,198,306</u>
<b>Expenses</b>						
Salaries	12,932,799	-	12,932,799	-	12,932,799	10,192,018
Payroll taxes and benefits	2,961,831	-	2,961,831	-	2,961,831	2,417,304
Professional services	1,871,238	-	1,871,238	-	1,871,238	1,433,903
Sub-grants	30,000	-	30,000	-	30,000	-
Occupancy and related interest	2,203,619	-	2,203,619	-	2,203,619	1,750,962
Office expenses	916,451	-	916,451	-	916,451	905,517
Travel and meetings	805,216	-	805,216	-	805,216	724,610
Depreciation	<u>423,937</u>	<u>-</u>	<u>423,937</u>	<u>-</u>	<u>423,937</u>	<u>308,119</u>
<b>Total expenses</b>	<u>22,145,091</u>	<u>-</u>	<u>22,145,091</u>	<u>-</u>	<u>22,145,091</u>	<u>17,732,433</u>
In-kind services ( <i>Note 10</i> )	<u>6,417,552</u>	<u>-</u>	<u>6,417,552</u>	<u>-</u>	<u>6,417,552</u>	<u>8,718,492</u>
<b>Total expenses and in-kind services</b>	<u>28,562,643</u>	<u>-</u>	<u>28,562,643</u>	<u>-</u>	<u>28,562,643</u>	<u>26,450,925</u>
<b>Excess / (deficit) of revenue over expenses</b>	5,458,954	972,169	6,431,123	(2,484,352)	3,946,771	5,747,381
<b>Other Changes</b>						
Realized and unrealized net gains (losses)	<u>190,767</u>	<u>148,785</u>	<u>339,552</u>	<u>129,945</u>	<u>469,497</u>	<u>225,385</u>
<b>Change in net assets</b>	5,649,721	1,120,954	6,770,675	(2,354,407)	4,416,268	5,972,766
<b>Net Assets</b>						
Beginning of year	<u>9,637,440</u>	<u>5,864,082</u>	<u>15,501,522</u>	<u>11,900,747</u>	<u>27,402,269</u>	<u>21,429,503</u>
End of year	<u>\$15,287,161</u>	<u>\$6,985,036</u>	<u>\$22,272,197</u>	<u>\$ 9,546,340</u>	<u>\$31,818,537</u>	<u>\$27,402,269</u>

*See notes to financial statements.*

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services						Supporting Services				Total
	Democracy	Justice	Liberty & National Security	Communications	Fellows Program	Public Policy & Advocacy	Total Program Services	Management And General	Fundraising	Total Supporting Services	
Salaries	\$4,125,616	\$1,296,357	\$1,207,999	\$2,154,833	\$ 728,586	\$ 277,034	\$ 9,790,425	\$ 1,683,128	\$ 1,459,246	\$3,142,374	\$12,932,799
Payroll taxes and benefits	953,088	311,728	286,797	475,466	138,994	61,213	2,227,286	410,965	323,580	734,545	2,961,831
Professional services	127,432	175,961	40,801	488,989	299,964	35,783	1,168,930	474,918	227,390	702,308	1,871,238
Sub-grants	-	30,000	-	-	-	-	30,000	-	-	-	30,000
Occupancy and related interest	638,526	182,574	172,443	367,882	239,286	51,708	1,652,419	302,480	248,720	551,200	2,203,619
Office expenses	177,584	68,564	43,574	104,145	57,548	24,876	476,291	159,462	280,698	440,160	916,451
Travel and meetings	237,468	70,321	71,343	134,510	66,040	45,183	624,865	133,935	46,416	180,351	805,216
Depreciation	<u>123,648</u>	<u>36,614</u>	<u>32,968</u>	<u>71,051</u>	<u>45,603</u>	<u>10,101</u>	<u>319,985</u>	<u>55,835</u>	<u>48,117</u>	<u>103,952</u>	<u>423,937</u>
<b>Total expenses – 2019</b>	6,383,362	2,172,119	1,855,925	3,796,876	1,576,021	505,898	16,290,201	3,220,723	2,634,167	5,854,890	22,145,091
In-kind services	<u>3,346,735</u>	<u>189,575</u>	<u>1,525,813</u>	<u>-</u>	<u>1,260,645</u>	<u>-</u>	<u>6,322,768</u>	<u>94,784</u>	<u>-</u>	<u>94,784</u>	<u>6,417,552</u>
Total expenses and in-kind services	<u>\$9,730,097</u>	<u>\$2,361,694</u>	<u>\$3,381,738</u>	<u>\$3,796,876</u>	<u>\$2,836,666</u>	<u>\$ 505,898</u>	<u>\$22,612,969</u>	<u>\$ 3,315,507</u>	<u>\$2,634,167</u>	<u>\$5,949,674</u>	<u>\$28,562,643</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services						Supporting Services			Total	
	Democracy	Justice	Liberty & National Security	Communications	Fellows Program	Public Policy & Advocacy	Total Program Services	Management And General	Fundraising		Total Supporting Services
Salaries	\$ 3,073,436	\$ 1,297,821	\$ 891,261	\$ 1,320,241	\$ 764,902	\$ 211,877	\$ 7,559,538	\$ 1,460,107	\$ 1,172,373	\$ 2,632,480	\$ 10,192,018
Payroll taxes and benefits	716,337	300,190	215,867	301,569	171,685	41,211	1,746,859	408,877	261,568	670,445	2,417,304
Professional services	198,670	194,957	3,591	170,754	344,778	61,315	974,065	305,391	154,447	459,838	1,433,903
Occupancy and related interest	458,245	205,136	139,865	218,197	163,669	34,840	1,219,952	337,636	193,374	531,010	1,750,962
Office expenses	142,295	64,954	52,798	148,267	40,801	40,732	489,847	197,672	217,998	415,670	905,517
Travel and meetings	173,498	125,151	59,364	122,214	55,167	32,385	567,779	120,991	35,840	156,831	724,610
Depreciation	<u>98,910</u>	<u>41,577</u>	<u>28,511</u>	<u>42,084</u>	<u>24,867</u>	<u>6,890</u>	<u>242,839</u>	<u>20,736</u>	<u>44,544</u>	<u>65,280</u>	<u>308,119</u>
<b>Total expenses – 2018</b>	<b>4,861,391</b>	<b>2,229,786</b>	<b>1,391,257</b>	<b>2,323,326</b>	<b>1,565,869</b>	<b>429,250</b>	<b>12,800,879</b>	<b>2,851,410</b>	<b>2,080,144</b>	<b>4,931,554</b>	<b>17,732,433</b>
In-kind services	<u>4,016,688</u>	<u>151,983</u>	<u>3,548,829</u>	-	<u>888,895</u>	-	<u>8,606,395</u>	<u>112,097</u>	-	<u>112,097</u>	<u>8,718,492</u>
Total expenses and in-kind services	<u>\$ 8,878,079</u>	<u>\$ 2,381,769</u>	<u>\$ 4,940,086</u>	<u>\$ 2,323,326</u>	<u>\$ 2,454,764</u>	<u>\$ 429,250</u>	<u>\$ 21,407,274</u>	<u>\$ 2,963,507</u>	<u>\$ 2,080,144</u>	<u>\$ 5,043,651</u>	<u>\$ 26,450,925</u>

See notes to financial statements.



# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 4,416,268	\$ 5,972,766
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	423,937	308,119
Realized and unrealized gains	(469,497)	(225,385)
(Increase) decrease in		
Pledges receivable	(333,639)	474,907
Grants receivable	2,369,193	(1,840,362)
Other assets	(1,688)	(34,657)
Due from affiliate	-	35,564
Increase (decrease) in		
Accounts payable and accrued expenses	(173,171)	385,014
Deferred revenue	45,500	5,000
Deferred rent	191,373	505,589
<b>Net cash provided by operating activities</b>	<u>6,468,276</u>	<u>5,586,555</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,646,089)	(5,076,068)
Proceeds from sales of investments	818,692	117,360
Purchase of leasehold improvements, furniture and equipment	<u>(1,522,391)</u>	<u>(1,463,506)</u>
<b>Net cash used for investing activities</b>	<u>(2,349,788)</u>	<u>(6,422,214)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	841,000
Repayment of note payable	<u>(428,571)</u>	<u>(357,143)</u>
<b>Net cash provided by (used for) financing activities</b>	<u>(428,571)</u>	<u>483,857</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	3,689,917	(351,802)
<b>CASH</b>		
Beginning of year	<u>12,730,033</u>	<u>13,081,835</u>
End of year	<u>\$16,419,950</u>	<u>\$12,730,033</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest Paid	<u>\$ 79,533</u>	<u>\$ 86,953</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 And 2018

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### (1) SIGNIFICANT ACCOUNTING POLICIES

#### **ORGANIZATION AND PURPOSE**

William J. Brennan Jr. Center for Justice, Inc. and Affiliate (collectively the “*Center*”) founded in 1995, is incorporated pursuant to the provisions of the Not-for-Profit law of New York State.

The Center is a public policy institute dedicated to strengthening democracy and securing justice, through law, scholarship, education and advocacy. The Center is independent and nonpartisan. Consistent with the ideals of Supreme Court Justice Brennan, the Center believes that a “living constitution” is the genius of American law and politics – and that the test of our institutions is the ability to apply timeless constitutional values to a changing world.

#### **PRINCIPLES OF CONSOLIDATION**

In May 2006, the Brennan Center Strategic Fund, Inc. (the “*Strategic Fund*”) was founded by members of the Board of Trustees of the Center as an organization exempt from Federal income taxes under Internal Revenue Code Section 501(c)(4). The Strategic Fund, Inc. is permitted under applicable income tax regulation to conduct lobbying activities beyond those allowed to Section 501(c)(3) organizations and it is intended to supplement and complement the efforts of the Center, consistent with the Center’s mission. The consolidated financial statements include those of the Center and the Strategic Fund. All inter-company transactions have been eliminated.

#### **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.

#### **CONCENTRATION OF CREDIT RISK**

The Center occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

#### **NET ASSETS**

A description of the three net asset categories follows:

**Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing mission of the Center.

**Undesignated** - include the revenues and expenses associated with the principal mission of the Center.

**Board-Designated Brennan Legacy Fund** - include funds designated by the Board to ensure the ongoing solvency of the Brennan Center and to allow the organization to take advantage of new and unanticipated opportunities as they arise. Income earned on these funds is unrestricted and Board approval is necessary for any funds withdrawn. In fiscal year 2019, the Board approved the transfer of previously classified quasi-endowment funds to be included with the Brennan Legacy Fund. The Brennan Legacy Fund was created in fiscal 2016. Total net assets as of June 30, 2019 of \$6,985,036 are included with net assets without donor restrictions.

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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**With Donor Restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of the Center or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Center, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist primarily of cash in bank accounts, money market accounts and certificates of deposit which have original maturities of less than three months.

### **INVESTMENTS**

The Center records its investments at fair value with the resulting gains and losses reported in the statement of activities. The investments consisting of units owned by the Center in a pooled investment fund maintained by New York University School of Law (the “*School of Law*”) are reported at fair value provided by the School of Law based upon quoted market prices or values provided by the School of Law’s fund managers. The fair value of mutual funds is determined based on quoted market prices.

### **FURNITURE AND EQUIPMENT**

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The depreciable years utilized by major asset categories are as follows:

<u>Description</u>	<u>Year</u>
Leasehold improvements	16
Furniture and equipment	3-16

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

### **REVENUE RECOGNITION**

The Center recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as without or with donor restrictions support, according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Grants and contributions receivable are reported at their discounted present value, and a provision is made for amounts estimated to be uncollectible.

The Center reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, with donor restricted net assets are reclassified to without donor restrictions net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from donor restrictions.

Fee for service income received for performing legal and other services is recorded when earned. Costs related to such programs and services are expensed as incurred.

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### ADVERTISING COSTS

Advertising costs are expensed as incurred.

### INCOME TAXES

The Center is exempt from Federal income taxes under Section 501(c)(3) and the Strategic Fund is exempt from Federal income taxes under Section 501(c)(4), of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been recorded in the consolidated financial statements.

Management has reviewed the tax positions for each of the open fiscal tax years (2016 – 2018) or expected to be taken in the Center’s fiscal 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### COMPARATIVE INFORMATION

The financial statements and financial statement display include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

### RECENT ACCOUNTING PRONOUNCEMENTS

In 2019, the Center adopted Accounting Standards Update (ASU) 2016-14, Presentation of the Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance and cash flows. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		<u>Total Net Assets</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
As previously presented:			
Unrestricted	\$ 15,922,821	\$ -	\$ 15,922,821
Temporarily Restricted	-	11,279,448	11,279,448
Permanently Restricted	-	200,000	200,000
Net assets as reclassified	15,922,821	11,479,478	27,402,269
Other reclassifications	(421,299)	421,299	-
Total net assets as reclassified	<u>\$ 15,501,522</u>	<u>\$ 11,900,747</u>	<u>\$ 27,402,269</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### **NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Center plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Center plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. The Center plans to adopt the new ASU at the required implementation date.

### **RECLASSIFICATIONS**

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

## **(2) PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2019 and 2018 are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 499,936	\$ 122,286
Between one year and five years	<u>-</u>	<u>25,000</u>
	499,936	147,286
Less: Discount and allowances for doubtful accounts	<u>(65,155)</u>	<u>(46,144)</u>
	<u>\$ 434,781</u>	<u>\$ 101,142</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### (3) GRANTS RECEIVABLE

Grants receivable at June 30, 2019 and 2018 are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
Within one year	\$2,198,995	\$4,827,377
Between one year and five years	<u>1,940,000</u>	<u>1,684,245</u>
	4,138,995	6,511,622
Less: Discount	<u>(90,093)</u>	<u>(93,527)</u>
	<u>\$4,048,902</u>	<u>\$6,418,095</u>

### (4) INVESTMENTS

A portion of the investments consists of units owned by the Center in a pooled investment fund maintained by the School of Law for its long-term investments. The pool is managed to achieve the maximum prudent long-term return and is made up of various underlying investments including both public and private equities, diversifying assets, real assets and fixed income investments. The board of directors has authorized a policy designed to allow growth while providing a predictable flow of support to operations. This policy permits the use of total return at approved spending rates applied to the three-year moving average fair value of the investment pool. In addition, the proceeds from a term endowment gift, a portion of the Brennan Legacy Fund and other operating reserves have been invested in various mutual funds. The fair value of investments as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	<u>Market</u>	<u>Market</u>
Pooled Investment Fund	\$3,218,861	\$3,060,551
Money Market Fund	70,470	-
Mutual Funds –		
Fixed Income Index	1,246,893	1,156,311
Fixed Income	629,183	602,062
Equity Index	<u>4,729,452</u>	<u>3,779,041</u>
Total investments	<u>\$9,894,859</u>	<u>\$8,597,965</u>

The following table summarizes the Center's investments by fund at June 30:

	<u>2019</u>	<u>2018</u>
Pooled Investment Fund		
Brennan Legacy Fund	\$ 2,944,210	\$ 2,799,408
Endowment	<u>274,651</u>	<u>261,143</u>
	<u>3,218,861</u>	<u>3,060,551</u>
Other Investments		
Inez Milholland Endowment for Democracy	1,324,409	559,439
Brennan Legacy Fund	4,040,826	3,064,674
Undesignated	<u>1,310,763</u>	<u>1,913,301</u>
	<u>6,675,998</u>	<u>5,537,414</u>
Total investments	<u>\$ 9,894,859</u>	<u>\$ 8,597,965</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

Total investment return on the Center’s investments for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net of fees of \$47,069 and \$30,876 in 2019 and 2018 respectively	\$ 126,479	\$ 42,960
Realized gains	113,879	268,296
Change in unrealized gains (losses)	<u>355,618</u>	<u>(42,911)</u>
	<u>\$ 595,976</u>	<u>\$ 268,345</u>

The following table summarizes the Center’s investment return by fund for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pooled Investment Fund	\$ 158,310	\$ 213,121
Other Investments	<u>437,666</u>	<u>55,224</u>
	<u>\$ 595,976</u>	<u>\$ 268,345</u>

The Center used various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Center’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Center’s investments as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 70,470	\$ 70,470	\$ -	\$ -
Mutual Funds				
Fixed Income Index	1,246,893	1,246,893	-	-
Fixed Income	629,183	629,183	-	-
Equity Index	<u>4,729,452</u>	<u>4,729,452</u>	-	-
Totals	6,675,998	<u>\$6,675,998</u>	<u>\$ -</u>	<u>\$ -</u>
New York University School of Law				
Pooled Investment Fund reported at net asset value	<u>3,218,861</u>			
Total Investments	<u>\$9,894,859</u>			

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

	2018			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds				
Fixed Income Index	\$1,156,311	\$1,156,311	\$ -	\$ -
Fixed Income	602,062	602,062	-	-
Equity Index	<u>3,779,041</u>	<u>3,779,041</u>	-	-
Totals	5,537,414	<u>\$5,537,414</u>	<u>\$ -</u>	<u>\$ -</u>
New York University School of Law				
Pooled Investment Fund reported at net asset value	<u>3,060,551</u>			
Total Investments	<u>\$8,597,965</u>			

There were no transfers between Level 1 and 2 during the years ended June 30, 2019 and 2018.

In determining fair value, the Center utilizes the net asset valuations provided by the School of Law for the pooled investment fund. There is no active market in the pooled investment fund from which to base fair value and is measured using the net asset value practical expedient. Because of the absence of transparency into the investments of the pooled investment fund, the Center relies on the valuations applied to the pooled investment fund's portfolio by the School of Law. The values assigned to the investments in the pooled investment fund's portfolio are the responsibility of the School of Law and may involve the use of estimates as to the value of their portfolios. Redemptions from the pooled investment fund can be made on a daily basis.

### (5) LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 2,983,630	\$ 2,965,681
Furniture and equipment	2,729,509	1,706,964
Construction in progress	<u>776,444</u>	<u>294,547</u>
	6,489,583	4,967,192
Accumulated depreciation	<u>(1,058,402)</u>	<u>(634,465)</u>
	<u>\$ 5,431,181</u>	<u>\$ 4,332,727</u>

### (6) NOTE PAYABLE

On August 4, 2016, the Center entered into a delayed draw term loan with Amalgamated Bank to assist with improvements made to the New York office space. The total amount of funds available under the term loan is \$3,000,000. The term loan has a fixed interest rate equal to 3.25%, with any amount of the loan under the term loan outstanding on the Draw Period Termination Date of August 30, 2017 payable over seven years in equal monthly installments of principal including interest beginning September 1, 2017. The Center had outstanding balances of \$2,214,286 and \$2,642,857 at June 2019 and 2018, respectively.



# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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Future principal payments on the term loan are due as follows:

<u>Fiscal Year</u>	
2020	\$ 428,571
2021	428,571
2022	428,571
2023	428,571
2024 and thereafter	<u>500,002</u>
	<u>\$ 2,214,286</u>

The Center incurred interest expense for years ended June 2019 and 2018 of approximately \$79,500 and \$87,000, respectively.

### (7) NET ASSETS

Net assets with donor restrictions as of June 30, 2019 and 2018 are restricted for the following purposes and periods:

	<u>2019</u>	<u>2018</u>
<b>Subject to expenditure for a special purpose:</b>		
Democracy Program	\$ 3,674,344	\$ 3,460,224
Justice Program	1,000	279,435
Unexpended earnings on endowment	74,651	61,143
Other Programs	257,691	403,581
Inez Milholland Endowment for Democracy	1,624,409	1,259,439
Use in future periods		
Democracy Program	1,375,000	1,960,960
Justice Program	25,912	180,912
Brennan Legacy Fund	-	167,500
General Support	2,313,333	3,927,553
<b>Endowment – perpetual in nature:</b>		
General operations	<u>200,000</u>	<u>200,000</u>
	<u>\$ 9,546,340</u>	<u>\$ 11,900,747</u>

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2019:

	<u>2019</u>
Democracy Program	\$ 3,160,402
Justice Program	533,435
Liberty Natural Security Program	820,071
Communications	275,000
Other Programs	653,390
Time restrictions released	<u>3,751,916</u>
	<u>\$ 9,194,214</u>

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### (8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Center strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Center's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions and/or Board designations.

<b>Financial Assets</b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 16,419,950
Investments	9,894,859
Pledge receivable (net of reserve)	434,781
Grants receivable (due within one year)	<u>2,198,995</u>
Total financial assets	28,948,585
Less:	
Board-designated – Brennan Legacy fund	(6,985,036)
Net assets with donor restrictions, net of amounts available for general operations within one year	<u>(8,981,340)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,982,209</u>

Although the Center does not intend to spend from the Brennan Legacy Fund of approximately \$7 million, amounts from the Brennan Legacy Fund could be made available, if necessary, with Board approval.

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### (9) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

##### LEASE COMMITMENTS

The Center has a lease agreement for its New York office expiring on November 30, 2032. On November 16, 2018, the Center entered into another lease for additional space at its New York office, commencing on June 1, 2018 and also ending on November 30, 2032. In connection with these leases, the Center received thirteen months of free rent on the original lease, and five months free rent on the additional lease. The Center amended their lease for its Washington DC office for additional space and extended the lease to August 31, 2029. The Center receive six months free rent on this lease. Rent is being expensed on a straight - line basis over the term of the leases. Deferred rent of \$1,661,538 and \$1,470,165 has been recorded as of June 30, 2019 and 2018, respectively. Rent expense for the years ended June 30, 2019 and 2018 was approximately \$1,599,000 and \$1,492,000, respectively. The remaining minimal annual rental payments (excluding utilities, storage, and other such services and fees) under the New York office and Washington DC office leases are:

##### Fiscal Year

2020	\$ 1,899,000
2021	2,008,000
2022	2,087,000
2023	2,190,000
2024	2,246,000
2025 and thereafter	<u>19,041,000</u>
	<u>\$29,471,000</u>

##### EQUIPMENT LEASES

The Center leases office equipment under non-cancelable lease commitments expiring through 2023. Total rent expense on office equipment amounted to approximately \$83,000 and \$63,000 in 2019 and 2018, respectively. The approximate minimal annual rental commitments, under all non-cancelable leases with terms of one year or more for the periods set forth below, are as follows:

##### Fiscal Year

2020	\$ 103,000
2021	61,000
2022	33,000
2023	<u>2,000</u>
	<u>\$ 199,000</u>

### (10) PENSION PLAN

The Center has a defined contribution 401(k) plan covering substantially all employees with an employer matching requirement. Pension expense for the year ended June 30, 2019 and 2018 were \$808,200 and \$742,200, respectively.

# **WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE**

## ***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)***

**June 30, 2019 And 2018**

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### **(11) DONATED SERVICES**

The Center quantified the value of donated legal services in support of its program and operations. The fair market value for the years ended June 30, 2019 and 2018 was \$6,417,552 and \$8,718,492, respectively, which is recorded as in-kind services – revenue and expense in the statement of activities.

### **(12) SUBSEQUENT EVENTS**

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, September 24, 2019, have been evaluated in the preparation of the financial statements.

## **SUPPLEMENTAL INFORMATION**

# WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

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	<b>William J. Brennan Jr. Center For Justice, Inc.</b>	<b>Brennan Center Strategic Fund, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Balance</b>
<b>Assets</b>				
Cash and cash equivalents	\$16,171,173	\$248,777	\$ -	\$ 16,419,950
Pledges receivable	434,781	-	-	434,781
Grants receivable	4,048,902	-	-	4,048,902
Other assets	392,810	(20,224)	-	372,583
Investments	9,894,859	-	-	9,894,859
Leasehold improvements, furniture and equipment, net	<u>5,431,181</u>	<u>-</u>	<u>-</u>	<u>5,431,181</u>
	<u>\$36,373,706</u>	<u>\$228,553</u>	<u>\$ -</u>	<u>\$36,602,259</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 857,398	\$ -	\$ -	\$ 857,398
Deferred revenue	50,500	-	-	50,500
Deferred rent	1,661,538	-	-	1,661,538
Note payable	<u>2,214,286</u>	<u>-</u>	<u>-</u>	<u>2,214,286</u>
<b>Total liabilities</b>	<u>4,783,722</u>	<u>-</u>	<u>-</u>	<u>4,783,722</u>
<b>Net Assets</b>				
Without donor restrictions	22,043,644	228,553	-	22,272,197
With donor restrictions	<u>9,546,340</u>	<u>-</u>	<u>-</u>	<u>9,546,340</u>
<b>Total net assets</b>	<u>31,589,984</u>	<u>228,553</u>	<u>-</u>	<u>31,818,537</u>
<b>Total Liabilities and Net Assets</b>	<u>\$36,373,706</u>	<u>\$228,553</u>	<u>\$ -</u>	<u>\$36,602,259</u>

**WILLIAM J. BRENNAN JR. CENTER FOR JUSTICE, INC. AND AFFILIATE****CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****Year Ended June 30, 2019**

	<b>William J. Brennan Jr. Center For Justice, Inc.</b>	<b>Brennan Center Strategic Fund, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Balance</b>
<b>Support and Revenue</b>				
Grants, net	\$ 6,942,647	\$ -	\$ -	\$ 6,942,647
Contributions	18,164,642	-	-	18,164,642
Special events net of direct expenses of \$222,780	822,887	-	-	822,887
Interest and dividend income, net	<u>161,356</u>	<u>330</u>	<u>-</u>	<u>161,686</u>
<b>Total operating revenue</b>	<u>26,091,532</u>	<u>330</u>	<u>-</u>	<u>26,091,862</u>
In kind services	<u>6,417,552</u>	<u>-</u>	<u>-</u>	<u>6,417,552</u>
<b>Total support and revenue</b>	<u>32,509,084</u>	<u>330</u>	<u>-</u>	<u>32,509,414</u>
<b>Expenses</b>				
Salaries	12,932,799	-	-	12,932,799
Payroll taxes and benefits	2,961,831	-	-	2,961,831
Professionals	1,871,238	-	-	1,871,238
Sub-grants	30,000	-	-	30,000
Occupancy and related interest	2,203,619	-	-	2,203,619
Office expenses	916,451	-	-	916,451
Travel and meetings	805,216	-	-	805,216
Depreciation	<u>423,937</u>	<u>-</u>	<u>-</u>	<u>423,937</u>
<b>Total expenses - cash</b>	<u>22,145,091</u>	<u>-</u>	<u>-</u>	<u>22,145,091</u>
In kind services	<u>6,417,552</u>	<u>-</u>	<u>-</u>	<u>6,417,552</u>
<b>Total expenses</b>	<u>28,562,643</u>	<u>-</u>	<u>-</u>	<u>28,562,643</u>
<b>Excess/(deficit) of revenue over expense</b>	3,946,441	330	-	3,946,771
<b>Other Changes</b>				
Realized and unrealized net gains	<u>469,497</u>	<u>-</u>	<u>-</u>	<u>469,497</u>
<b>Changes in net assets</b>	4,415,938	330	-	4,416,268
<b>Net Assets</b>				
Beginning of period	<u>27,174,046</u>	<u>228,223</u>	<u>-</u>	<u>27,402,269</u>
End of period	<u>\$ 31,589,984</u>	<u>\$ 228,553</u>	<u>\$ -</u>	<u>\$ 31,818,537</u>