

BRENNAN CENTER

FOR JUSTICE

Audited Financial Statements Fiscal Year 2021

As the Brennan Center celebrates our 25th anniversary, we are proud to have grown into a strong, essential institution with a solid funding spine that helps ensure our longevity. We make public the Center's annual IRS filings; our audited financial statements for Fiscal Year 2021 (ending June 30, 2021) follow below.

Our rigorously independent, nonpartisan work on behalf of democracy and justice is made possible through the generous financial support of more than 25,000 individuals and families, charitable foundations, law firms, and businesses. We have grown considerably since our founding, thanks to a diverse base of support – ranging from small grassroots contributions to substantial multi-year grants. The majority of our support is unrestricted and is provided by donations from individuals and foundations.

Our critical work to fight unprecedented crises during this timeframe garnered extraordinary support, both for our current operating needs and for our future sustainability.

This support enabled us to double down to ensure safe and secure elections and protect the vote, to serve as a leader in advancing federal policy solutions that would stop cold ominous new election sabotage efforts, and to advance justice reform. It also enabled us, for the first time in our 25-year history, to establish meaningful reserves to ensure our organizational strength and longer-term sustainability.

With special support this year and last, we grew our Brennan Legacy Fund – our Board-designated strategic opportunities and reserves fund – to \$100 million. It operates as a quasi-endowment and generates annual investment income to support our core work. While this income provides some relief from our annual fundraising efforts, we must still raise most of our operating budget every year. We also created a \$25 million Brennan Future Fund, intended to be drawn down across five years to support new initiatives that further our mission.

As you may know, the Brennan Center does not have a formal endowment and receives no financial support from NYU. At all times, we also aim to keep on hand up to 12 months of operating expenses, per best practices for non-profit organizations.

We are glad to answer questions you have about our annual budget or our longer-term special funding opportunities. We are extremely grateful for your interest and support.

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

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2021 AND 2020

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, 2021, 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, 2021, 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 2020 financial statements, and our report dated September 22, 2020, 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, 2020 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 18 and schedule of consolidating statement of activities and changes in net assets on page 19 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 21, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 8,221,188	\$ 5,854,245
Pledges receivable <i>(Note 2)</i>	95,000	-
Grants receivable <i>(Note 3)</i>	6,258,753	5,218,050
Interest receivable	385,531	-
Other assets	388,533	318,438
Investments <i>(Note 4)</i>	151,484,801	79,411,473
Leasehold improvements, furniture and equipment, net <i>(Note 5)</i>	<u>4,832,935</u>	<u>5,452,148</u>
Total Assets	<u>\$171,666,741</u>	<u>\$96,254,354</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,635,513	\$ 1,738,755
Deferred revenue	54,888	39,989
Deferred rent <i>(Note 9)</i>	2,033,911	1,895,539
Note Payable <i>(Note 6)</i>	<u>1,357,143</u>	<u>1,785,714</u>
Total Liabilities	<u>5,081,455</u>	<u>5,459,997</u>
Net Assets		
Without donor restrictions		
Undesignated	28,670,770	17,428,501
Board Designated		
Brennan Future Fund	25,000,000	25,000,000
Brennan Legacy Fund	<u>100,000,000</u>	<u>40,000,000</u>
Total Without Donor Restriction	153,670,770	82,428,501
With donor restrictions <i>(Note 7)</i>	<u>12,914,516</u>	<u>8,365,856</u>
Total Net Assets	<u>166,585,286</u>	<u>90,794,357</u>
Total Liabilities and Net Assets	<u>\$171,666,741</u>	<u>\$96,254,354</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021 With Summarized Information For The Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020 Total
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Total</u>			
Operating Revenue						
Grants, net	\$ -	\$ -	\$ -	\$ 20,053,787	\$ 20,053,787	\$ 11,456,662
Contributions	28,260,614	50,000,000	78,260,614	-	78,260,614	71,835,934
Special events net of direct expenses of \$107,613 in 2021 and \$227,999 in 2020	746,238	-	746,238	-	746,238	827,215
Net assets released from restrictions <i>(Note 7)</i>	<u>16,284,698</u>	<u>-</u>	<u>16,284,698</u>	<u>(16,284,698)</u>	<u>-</u>	<u>-</u>
Total operating revenue	45,291,550	50,000,000	95,291,550	3,769,089	99,060,639	84,119,811
In-kind services <i>(Note 11)</i>	<u>9,328,333</u>	<u>-</u>	<u>9,328,333</u>	<u>-</u>	<u>9,328,333</u>	<u>4,468,045</u>
Total operating revenues and in-kind services	<u>54,619,883</u>	<u>50,000,000</u>	<u>104,619,883</u>	<u>3,769,089</u>	<u>108,388,972</u>	<u>88,587,856</u>
Expenses						
Salaries	16,127,842	-	16,127,842	-	16,127,842	14,658,860
Payroll taxes and benefits	3,877,818	-	3,877,818	-	3,877,818	3,609,547
Professional services	6,094,321	-	6,094,321	-	6,094,321	2,289,434
Sub-grants	316,925	-	316,925	-	316,925	175,000
Occupancy and related interest	2,563,789	-	2,563,789	-	2,563,789	2,625,303
Office expenses	954,567	-	954,567	-	954,567	1,134,774
Travel and meetings	211,049	-	211,049	-	211,049	629,137
Depreciation	<u>782,936</u>	<u>-</u>	<u>782,936</u>	<u>-</u>	<u>782,936</u>	<u>645,476</u>
Total expenses	<u>30,929,247</u>	<u>-</u>	<u>30,929,247</u>	<u>-</u>	<u>30,929,247</u>	<u>25,767,531</u>
In-kind services <i>(Note 11)</i>	<u>9,328,333</u>	<u>-</u>	<u>9,328,333</u>	<u>-</u>	<u>9,328,333</u>	<u>4,468,045</u>
Total expenses and in-kind services	<u>40,257,580</u>	<u>-</u>	<u>40,257,580</u>	<u>-</u>	<u>40,257,580</u>	<u>30,235,576</u>
Excess of revenue over expenses	14,362,303	50,000,000	64,362,303	3,769,089	68,131,392	58,352,280
Other Changes						
Investment total return <i>(Note 4)</i>	6,879,966	-	6,879,966	779,571	7,659,537	623,540
Transfer to Board Designated	<u>(10,000,000)</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	11,242,269	60,000,000	71,242,269	4,548,660	75,790,929	58,975,820
Net Assets						
Beginning of year	<u>17,428,501</u>	<u>65,000,000</u>	<u>82,428,501</u>	<u>8,365,856</u>	<u>90,794,357</u>	<u>31,818,537</u>
End of year	<u>\$ 28,670,770</u>	<u>\$ 125,000,000</u>	<u>\$ 153,670,770</u>	<u>\$ 12,914,516</u>	<u>\$ 166,585,286</u>	<u>\$ 90,794,357</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, 2021

	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	\$ 5,219,099	\$ 1,244,064	\$ 1,503,517	\$ 2,885,066	\$ 501,010	\$ 504,020	\$ 11,856,776	\$ 2,338,838	\$ 1,932,228	\$ 4,271,066	\$ 16,127,842
Payroll taxes and benefits	1,157,398	235,820	344,090	646,661	102,917	135,332	2,622,218	840,228	415,372	1,255,600	3,877,818
Professional services	1,279,841	79,989	22,288	3,110,373	302,353	70,124	4,864,968	781,399	447,954	1,229,353	6,094,321
Sub-grants	50,000	-	-	266,925	-	-	316,925	-	-	-	316,925
Occupancy and related interest	799,737	189,835	200,851	456,435	147,915	86,003	1,880,776	377,334	305,679	683,013	2,563,789
Office expenses	196,144	47,530	49,718	147,479	32,713	25,876	499,460	221,694	233,413	455,107	954,567
Travel and meetings	27,399	4,640	4,184	120,775	11,163	535	168,696	36,302	6,051	42,353	211,049
Depreciation	<u>244,597</u>	<u>58,034</u>	<u>61,542</u>	<u>139,955</u>	<u>45,400</u>	<u>25,384</u>	<u>574,912</u>	<u>113,916</u>	<u>94,108</u>	<u>208,024</u>	<u>782,936</u>
Total expenses – 2021	8,974,215	1,859,912	2,186,190	7,773,669	1,143,471	847,274	22,784,731	4,709,711	3,434,805	8,144,516	30,929,247
In-kind services	<u>8,449,853</u>	<u>-</u>	<u>852,103</u>	<u>-</u>	<u>333</u>	<u>-</u>	<u>9,302,289</u>	<u>26,044</u>	<u>-</u>	<u>26,044</u>	<u>9,328,333</u>
Total expenses and in-kind services	<u>\$17,424,068</u>	<u>\$ 1,859,912</u>	<u>\$ 3,038,293</u>	<u>\$ 7,773,669</u>	<u>\$ 1,143,804</u>	<u>\$ 847,274</u>	<u>\$ 32,087,020</u>	<u>\$ 4,735,755</u>	<u>\$ 3,434,805</u>	<u>\$ 8,170,560</u>	<u>\$ 40,257,580</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	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	\$ 4,670,259	\$ 1,072,367	\$ 1,411,098	\$ 2,539,246	\$ 595,112	\$ 516,568	\$ 10,804,650	\$ 2,089,532	\$ 1,764,678	\$ 3,854,210	\$ 14,658,860
Payroll taxes and benefits	1,117,041	244,825	345,128	631,464	129,029	165,268	2,632,755	530,469	446,323	976,792	3,609,547
Professional services	455,323	158,389	43,740	696,109	233,318	22,065	1,608,944	442,594	237,896	680,490	2,289,434
Sub-grants	175,000	-	-	-	-	-	175,000	-	-	-	175,000
Occupancy and related interest	783,599	165,816	211,676	450,533	213,000	96,807	1,921,431	395,003	308,869	703,872	2,625,303
Office expenses	204,930	53,009	49,360	198,909	43,926	31,458	581,592	217,575	335,607	553,182	1,134,774
Travel and meetings	182,135	39,012	48,728	154,903	34,717	31,677	491,172	107,654	30,311	137,965	629,137
Depreciation	<u>195,148</u>	<u>40,832</u>	<u>52,094</u>	<u>112,316</u>	<u>51,104</u>	<u>23,616</u>	<u>475,110</u>	<u>92,275</u>	<u>78,091</u>	<u>170,366</u>	<u>645,476</u>
Total expenses – 2020	7,783,435	1,774,250	2,161,824	4,783,480	1,300,206	887,459	18,690,654	3,875,102	3,201,775	7,076,877	25,767,531
In-kind services	<u>3,750,808</u>	<u>-</u>	<u>684,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,434,996</u>	<u>33,049</u>	<u>-</u>	<u>33,049</u>	<u>4,468,045</u>
Total expenses and in-kind services	<u>\$ 11,534,243</u>	<u>\$ 1,774,250</u>	<u>\$ 2,846,012</u>	<u>\$ 4,783,480</u>	<u>\$ 1,300,206</u>	<u>\$ 887,459</u>	<u>\$ 23,125,650</u>	<u>\$ 3,908,151</u>	<u>\$ 3,201,775</u>	<u>\$ 7,109,926</u>	<u>\$ 30,235,576</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 75,790,929	\$ 58,975,820
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	782,936	645,476
Realized and unrealized gains	(6,901,841)	(338,868)
(Increase) decrease in		
Pledges receivable	(95,000)	434,781
Grants receivable	(1,040,703)	(1,169,148)
Interest receivable	(385,531)	-
Other assets	(70,095)	54,148
Increase (decrease) in		
Accounts payable and accrued expenses	(103,242)	881,357
Deferred revenue	14,899	(10,511)
Deferred rent	<u>138,372</u>	<u>234,001</u>
Net cash provided by operating activities	<u>68,130,724</u>	<u>59,707,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(148,951,990)	(1,106,110)
Proceeds from sales of investments	25,548,566	780,350
Net change in short-term investments	58,231,937	(68,851,987)
Purchase of leasehold improvements, furniture and equipment	<u>(163,723)</u>	<u>(666,443)</u>
Net cash used for investing activities	<u>(65,335,210)</u>	<u>(69,844,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	<u>(428,571)</u>	<u>(428,571)</u>
Net cash used for financing activities	<u>(428,571)</u>	<u>(428,571)</u>
Net increase (decrease) in cash and cash equivalents	2,366,943	(10,565,705)
CASH		
Beginning of year	<u>5,854,245</u>	<u>16,419,950</u>
End of year	<u>\$ 8,221,188</u>	<u>\$ 5,854,245</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	<u>\$ 51,576</u>	<u>\$ 65,693</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 And 2020

(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 Future and Legacy Funds – these two special funds are designated by the Board to ensure the ongoing solvency of the Brennan Center and to ensure the organization has sufficient reserves to address potential crisis as well as the ability to rise to take advantage of new, strategic and/or unanticipated opportunities and initiatives. Income earned on each of these funds is undesignated and Board approval is necessary for any withdrawal of funds from the original corpus. See note 7 for additional details on Board Designated net assets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

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, 2021 And 2020

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 (2018 – 2020) or expected to be taken in the Center’s fiscal 2021 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, 2020, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS 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 to fiscal years beginning after December 15, 2018, then further issued ASU 2020-05 in June of 2020 delaying implementation by another year to fiscal years beginning after December 15, 2019. ASU 2014-09 was implemented in fiscal 2021 and did not have a material effect on the financial statements.

ACCOUNTING PRONOUNCEMENTS – NOT YET ADOPTED

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 15, 2021. 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.

RECLASSIFICATIONS

Certain reclassifications were made to the 2020 financial statements to conform to the 2021 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(2) PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 of \$95,000 are all due to be received within one year.

(3) GRANTS RECEIVABLE

Grants receivable at June 30, 2021 and 2020 are expected to be realized in the following periods:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 4,416,417	\$ 5,118,050
Between one year and five years	<u>1,883,333</u>	<u>100,000</u>
	6,299,750	5,218,050
Less: Discount to net present value at 1.02% for 2021	<u>(40,997)</u>	<u>-</u>
	<u>\$ 6,258,753</u>	<u>\$ 5,218,050</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 Future Fund, Brennan Legacy Fund and other operating reserves have been invested in various mutual funds. The fair value of investments as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
	<u>Market</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 10,690,520	\$ 68,922,457
U.S. Government Bonds	2,385,813	-
Corporate Bonds	43,834,371	-
Asset Backed Securities	1,633,910	-
Exchange Traded Funds	70,142,141	-
Mutual Funds –		
Fixed Income Index	-	1,138,113
Fixed Income	16,354,136	611,625
Equity Index	-	5,476,233
Equity	2,261,411	-
Pooled Investment Fund	<u>4,182,499</u>	<u>3,263,045</u>
Total investments	<u>\$151,484,801</u>	<u>\$ 79,411,473</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

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

	<u>2021</u>	<u>2020</u>
Pooled Investment Fund		
Brennan Legacy Fund	\$ 3,825,622	\$ 2,984,622
Endowment	<u>356,877</u>	<u>278,423</u>
	<u>4,182,499</u>	<u>3,263,045</u>
Other Investments		
Inez Milholland Endowment for Democracy	2,261,411	1,685,943
Brennan Future Fund	25,000,000	25,000,000
Brennan Legacy Fund	96,174,377	37,015,378
Undesignated	<u>23,866,514</u>	<u>12,447,107</u>
	<u>147,302,302</u>	<u>76,148,428</u>
Total investments	<u>\$151,484,801</u>	<u>\$79,411,473</u>

Total investment return on the Center's investments for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees of \$114,410 and \$49,070 in 2021 and 2020 respectively	\$ 757,696	\$284,672
Realized gains	1,462,711	105,187
Change in unrealized gains	<u>5,439,130</u>	<u>233,681</u>
	<u>\$7,659,537</u>	<u>\$623,540</u>

The following table summarizes the Center's investment return by type of investment for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pooled Investment Fund	\$ 919,454	\$ 44,186
Other Investments	<u>6,740,083</u>	<u>579,354</u>
	<u>\$7,659,537</u>	<u>\$623,540</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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

The summary of inputs used to value the Center’s investments as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 10,690,520	\$ 10,690,520	\$ -	\$ -
U.S. Government Bonds	2,385,813	-	2,385,813	-
Corporate Bonds	43,834,371	-	43,834,371	-
Asset Backed Securities	1,633,910	-	1,633,910	-
Exchange Traded Funds	70,142,141	70,142,141	-	-
Mutual Funds				
Fixed Income	16,354,136	16,354,136	-	-
Equity	<u>2,261,411</u>	<u>2,261,411</u>	-	-
Totals	147,302,302	<u>\$99,448,208</u>	<u>\$47,854,094</u>	<u>\$ -</u>
New York University School of Law				
Pooled Investment Fund reported at net asset value	<u>4,182,499</u>			
Total Investments	<u>\$151,484,801</u>			
		<u>2020</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 68,922,457	\$ 68,922,457	\$ -	\$ -
Mutual Funds				
Fixed Income Index	1,138,113	1,138,113	-	-
Fixed Income	611,625	611,625	-	-
Equity Index	<u>5,476,233</u>	<u>5,476,233</u>	-	-
Totals	76,148,428	<u>\$76,148,428</u>	<u>\$ -</u>	<u>\$ -</u>
New York University School of Law				
Pooled Investment Fund reported at net asset value	<u>3,263,045</u>			
Total Investments	<u>\$79,411,473</u>			

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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 3,371,316	\$ 3,371,316
Furniture and equipment	3,899,783	3,778,893
Construction in progress	<u>48,650</u>	<u>5,817</u>
	7,319,749	7,156,026
Accumulated depreciation	<u>(2,486,814)</u>	<u>(1,703,878)</u>
	<u>\$ 4,832,935</u>	<u>\$ 5,452,148</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(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 \$1,357,143 and \$1,785,714 at June 2021 and 2020, respectively.

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

<u>Fiscal Year</u>	
2022	\$ 428,571
2023	428,571
2024	428,571
2025	<u>71,430</u>
	<u>\$1,357,143</u>

The Center incurred interest expense for years ended June 2021 and 2020 of approximately \$51,600 and \$65,700, respectively.

(7) NET ASSETS

Net assets without donor restrictions include net assets designated by the Board of Directors as the Brennan Legacy Fund and the Brennan Future Fund.

The Brennan Legacy Fund was created in fiscal year 2016: in fiscal year 2020 the Board approved the transfer of funds to have the Brennan Legacy Fund hold \$40,000,000 in net assets. In March 2021, the Brennan Legacy Fund received a \$50,000,000 contribution to be included in net assets as of June 30, 2021; in June 2021, the Board approved an additional transfer of \$10,000,000 to have the Brennan Legacy Fund hold \$100,000,000.

The Brennan Future Fund was created in fiscal year 2020: in fiscal year 2020, the Board approved transfer of \$25,000,000 to be included with the Brennan Future Fund. It is intended to be allocated over a flexible five-year period, as adjusted in the annual budget process and reviewed by the Board.

Total net assets of \$100,000,000 in the Brennan Legacy Fund and \$25,000,000 in the Brennan Future Fund, respectively, are included with net assets without donor restrictions at June 30, 2021.

Net assets with donor restrictions as of June 30, 2021 and 2020 are restricted for the following purposes and periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for time or special purpose:		
Democracy Program	\$ -	\$ 1,047,680
Unexpended earnings on endowment	153,105	74,651
Other Programs	-	139,282
Inez Milholland Endowment for Democracy	2,261,411	1,685,943
Use in future periods		
Democracy Program	1,950,000	1,763,300
Justice Program	300,000	290,000
General Support	8,050,000	3,165,000
Endowment – perpetual in nature:		
General operations	<u>200,000</u>	<u>200,000</u>
	<u>\$12,914,516</u>	<u>\$8,365,856</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2021:

	<u>2021</u>
Democracy Program	\$ 5,858,059
Justice Program	565,000
Liberty Natural Security Program	690,000
Other Programs	1,873,799
Time restrictions released	<u>7,297,840</u>
	<u>\$16,284,698</u>

(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, 2021 and 2020, 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.

Financial Assets	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,221,188	\$ 5,854,245
Investments	151,484,801	79,411,473
Pledge receivable (net of reserve)	95,000	-
Grants receivable (due within one year)	4,416,417	5,218,050
Interest receivable	<u>385,531</u>	<u>-</u>
Total financial assets	164,602,937	90,483,768
Less:		
Board-designated – Brennan Future Fund	(25,000,000)	(25,000,000)
Board-designated – Brennan Legacy Fund	(100,000,000)	(40,000,000)
Net assets with donor restrictions, net of amounts available for general operations within one year	<u>(9,206,183)</u>	<u>(5,927,669)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 30,396,754</u>	<u>\$ 19,556,099</u>

Resources from the Brennan Future Fund and the Brennan Legacy Fund, of \$125 million and \$65 million as of June 30, 2021 and 2020, respectively, are only available subject to Board approval.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(9) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

LEASE COMMITMENTS

The Center has lease agreements for its New York office expiring on November 30, 2032. In connection with these leases, the Center received free rent. In 2020, 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 expended on a straight - line basis over the term of the leases. Deferred rent of \$2,033,911 and \$1,895,539 has been recorded as of June 30, 2021 and 2020, respectively. Rent expense for the years ended June 30, 2021 and 2020 was approximately \$2,198,000 and \$2,190,000, 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

2022	\$ 2,087,000
2023	2,191,000
2024	2,247,000
2025	2,254,000
2026	2,262,000
2027 and thereafter	<u>14,497,000</u>
	<u>\$25,538,000</u>

EQUIPMENT LEASES

The Center leases office equipment under non-cancelable lease commitments expiring through 2024. Total rent expense on office equipment amounted to approximately \$114,000 and \$116,000 in 2021 and 2020, 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

2022	\$ 86,000
2023	30,000
2024	<u>3,000</u>
	<u>\$119,000</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, 2021 and 2020 were \$1,023,000 and \$941,000, respectively.

(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, 2021 and 2020 was \$9,328,333 and \$4,468,045, respectively, which is recorded as in-kind services – revenue and expense in the statement of activities.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(12) COVID-19

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on the Center’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Foundation’s funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

(13) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, September 21, 2021, 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, 2021

	William J. Brennan Jr. Center For Justice, Inc.	Brennan Center Strategic Fund, Inc.	Eliminations	Consolidated Balance
Assets				
Cash and cash equivalents	\$ 7,971,858	\$ 249,330	\$ -	\$ 8,221,188
Pledges receivable	95,000	-	-	95,000
Grants receivable	6,258,753	-	-	6,258,753
Interest receivable	385,531	-	-	385,531
Other assets	408,757	(20,224)	-	388,533
Investments	151,484,801	-	-	151,484,801
Leasehold improvements, furniture and equipment, net	<u>4,832,935</u>	<u>-</u>	<u>-</u>	<u>4,832,935</u>
	<u>\$ 171,437,635</u>	<u>\$ 229,106</u>	<u>\$ -</u>	<u>\$ 171,666,741</u>
Liabilities				
Accounts payable and accrued expenses	\$ 1,635,513	\$ -	\$ -	\$ 1,635,513
Deferred revenue	54,888	-	-	54,888
Deferred rent	2,033,911	-	-	2,033,911
Note payable	<u>1,357,143</u>	<u>-</u>	<u>-</u>	<u>1,357,143</u>
Total liabilities	<u>5,081,455</u>	<u>-</u>	<u>-</u>	<u>5,081,455</u>
Net Assets				
Without donor restrictions	153,441,664	229,106	-	153,670,770
With donor restrictions	<u>12,914,516</u>	<u>-</u>	<u>-</u>	<u>12,914,516</u>
Total net assets	<u>166,356,180</u>	<u>229,106</u>	<u>-</u>	<u>166,585,286</u>
Total Liabilities and Net Assets	<u>\$ 171,437,635</u>	<u>\$ 229,106</u>	<u>\$ -</u>	<u>\$ 171,666,741</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021

	William J. Brennan Jr. Center For Justice, Inc.	Brennan Center Strategic Fund, Inc.	Eliminations	Consolidated Balance
Support and Revenue				
Grants, net	\$ 20,053,787	\$ -	\$ -	\$ 20,053,787
Contributions	78,260,614	-	-	78,260,614
Special events net of direct expenses of \$107,613	<u>746,238</u>	<u>-</u>	<u>-</u>	<u>746,238</u>
Total operating revenue	<u>99,060,639</u>	<u>-</u>	<u>-</u>	<u>99,060,639</u>
In kind services	<u>9,328,333</u>	<u>-</u>	<u>-</u>	<u>9,328,333</u>
Total support and revenue	<u>108,388,972</u>	<u>-</u>	<u>-</u>	<u>108,388,972</u>
Expenses				
Salaries	16,127,842	-	-	16,127,842
Payroll taxes and benefits	3,877,818	-	-	3,877,818
Professionals	6,094,321	-	-	6,094,321
Sub-grants	316,925	-	-	316,925
Occupancy and related interest	2,563,789	-	-	2,563,789
Office expenses	954,565	2	-	954,567
Travel and meetings	211,049	-	-	211,049
Depreciation	<u>782,936</u>	<u>-</u>	<u>-</u>	<u>782,936</u>
Total expenses - cash	<u>30,929,245</u>	<u>2</u>	<u>-</u>	<u>30,929,247</u>
In kind services	<u>9,328,333</u>	<u>-</u>	<u>-</u>	<u>9,328,333</u>
Total expenses	<u>40,257,578</u>	<u>2</u>	<u>-</u>	<u>40,257,580</u>
Excess (deficit) of revenue over expense	68,131,394	(2)	-	68,131,392
Other Changes				
Investment total return	<u>7,659,405</u>	<u>132</u>	<u>-</u>	<u>7,659,537</u>
Changes in net assets	75,790,799	130	-	75,790,929
Net Assets				
Beginning of period	<u>90,565,381</u>	<u>228,976</u>	<u>-</u>	<u>90,794,357</u>
End of period	<u>\$166,356,180</u>	<u>\$229,106</u>	<u>\$ -</u>	<u>\$166,585,286</u>