

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

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

JUNE 30, 2022 AND 2021

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

Opinion

We have audited the accompanying consolidated financial statements of William J. Brennan, Jr. Center For Justice, Inc. and Affiliate (the “*Center*”), which comprise the consolidated statements of financial position as of June 30, 2022 and the related consolidated statement 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 Center as of June 30, 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 Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Center’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Center's 2021 financial statements, and our report dated September 21, 2021, 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, 2021 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 20, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 12,741,762	\$ 8,221,188
Pledges receivable <i>(Note 2)</i>	85,000	95,000
Grants receivable <i>(Note 3)</i>	4,829,886	6,258,753
Interest receivable	409,720	385,531
Other assets	370,561	388,533
Investments <i>(Note 4)</i>	138,694,565	151,484,801
Leasehold improvements, furniture and equipment, net <i>(Note 5)</i>	<u>4,499,472</u>	<u>4,832,935</u>
Total Assets	<u>\$161,630,966</u>	<u>\$ 171,666,741</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 2,291,994	\$ 1,635,513
Deferred revenue	4,888	54,888
Deferred rent <i>(Note 9)</i>	2,102,171	2,033,911
Note Payable <i>(Note 6)</i>	<u>928,571</u>	<u>1,357,143</u>
Total Liabilities	<u>5,327,624</u>	<u>5,081,455</u>
Net Assets		
Without donor restrictions		
Undesignated	21,300,264	28,670,770
Board Designated		
Brennan Future Fund	25,000,000	25,000,000
Brennan Legacy Fund	<u>100,000,000</u>	<u>100,000,000</u>
Total Without Donor Restriction	146,300,264	153,670,770
With donor restrictions <i>(Note 7)</i>	<u>10,003,078</u>	<u>12,914,516</u>
Total Net Assets	<u>156,303,342</u>	<u>166,585,286</u>
Total Liabilities and Net Assets	<u>\$161,630,966</u>	<u>\$ 171,666,741</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022 With Summarized Information For The Year Ended June 30, 2021

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Total
	Undesignated	Board Designated	Total			
Operating Revenue						
Grants, net	\$ -	\$ -	\$ -	\$ 9,452,781	\$ 9,452,781	\$ 20,053,787
Contributions	22,313,373	-	22,313,373	5,627,699	27,941,072	78,260,614
Special events net of direct expenses of \$131,423 in 2022 and \$107,613 in 2021	1,017,022	-	1,017,022	-	1,017,022	746,238
Net assets released from restrictions <i>(Note 7)</i>	<u>17,660,858</u>	<u>-</u>	<u>17,660,858</u>	<u>(17,660,858)</u>	<u>-</u>	<u>-</u>
Total operating revenue	40,991,253	-	40,991,253	(2,580,378)	38,410,875	99,060,639
In-kind services <i>(Note 11)</i>	<u>5,896,440</u>	<u>-</u>	<u>5,896,440</u>	<u>-</u>	<u>5,896,440</u>	<u>9,328,333</u>
Total operating revenues and in-kind services	<u>46,887,693</u>	<u>-</u>	<u>46,887,693</u>	<u>(2,580,378)</u>	<u>44,307,315</u>	<u>108,388,972</u>
Expenses						
Salaries	17,570,197	-	17,570,197	-	17,570,197	16,127,842
Payroll taxes and benefits	4,059,401	-	4,059,401	-	4,059,401	3,877,818
Professional services	5,679,848	-	5,679,848	-	5,679,848	6,094,321
Sub-grants	200,000	-	200,000	-	200,000	316,925
Occupancy and related interest	2,609,673	-	2,609,673	-	2,609,673	2,563,789
Office expenses	1,396,469	-	1,396,469	-	1,396,469	954,567
Travel and meetings	576,288	-	576,288	-	576,288	211,049
Depreciation	<u>821,559</u>	<u>-</u>	<u>821,559</u>	<u>-</u>	<u>821,559</u>	<u>782,936</u>
Total expenses	<u>32,913,435</u>	<u>-</u>	<u>32,913,435</u>	<u>-</u>	<u>32,913,435</u>	<u>30,929,247</u>
In-kind services <i>(Note 11)</i>	<u>5,896,440</u>	<u>-</u>	<u>5,896,440</u>	<u>-</u>	<u>5,896,440</u>	<u>9,328,333</u>
Total expenses and in-kind services	<u>38,809,875</u>	<u>-</u>	<u>38,809,875</u>	<u>-</u>	<u>38,809,875</u>	<u>40,257,580</u>
Excess of revenue over expenses	8,077,818	-	8,077,818	(2,580,378)	5,497,440	68,131,392
Other Changes						
Investment total return <i>(Note 4)</i>	<u>(15,448,324)</u>	<u>-</u>	<u>(15,448,324)</u>	<u>(331,060)</u>	<u>(15,779,384)</u>	<u>7,659,537</u>
Change in net assets	(7,370,506)	-	(7,370,506)	(2,911,438)	(10,281,944)	75,790,929
Net Assets						
Beginning 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>
End of year	<u>\$ 21,300,264</u>	<u>\$ 125,000,000</u>	<u>\$ 146,300,264</u>	<u>\$ 10,003,078</u>	<u>\$ 156,303,342</u>	<u>\$ 166,585,286</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	<u>Program Services</u>						<u>Supporting Services</u>			<u>Total</u>	
	<u>Democracy</u>	<u>Justice</u>	<u>Liberty & National Security</u>	<u>Communications</u>	<u>Fellows Program</u>	<u>Public Policy & Advocacy</u>	<u>Total Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>		<u>Total Supporting Services</u>
Salaries	\$ 5,964,331	\$ 1,305,498	\$ 1,443,499	\$ 2,944,289	\$ 885,130	\$ 386,474	\$ 12,929,221	\$ 2,841,991	\$ 1,798,985	\$ 4,640,976	\$ 17,570,197
Payroll taxes and benefits	1,361,108	267,007	314,112	678,693	185,264	91,193	2,897,377	761,100	400,924	1,162,024	4,059,401
Professional services	740,841	205,121	61,694	2,017,477	655,486	418,026	4,098,645	974,114	607,089	1,581,203	5,679,848
Sub-grants	200,000	-	-	-	-	-	200,000	-	-	-	200,000
Occupancy and related interest	849,882	185,502	206,696	434,137	167,038	59,004	1,902,259	443,216	264,198	707,414	2,609,673
Office expenses	268,392	55,670	65,419	169,318	51,691	31,848	642,338	479,980	274,151	754,131	1,396,469
Travel and meetings	155,175	23,294	21,241	144,250	58,557	7,933	410,450	134,342	31,496	165,838	576,288
Depreciation	<u>270,012</u>	<u>58,957</u>	<u>65,420</u>	<u>137,465</u>	<u>56,548</u>	<u>18,039</u>	<u>606,441</u>	<u>131,999</u>	<u>83,119</u>	<u>215,118</u>	<u>821,559</u>
Total expenses – 2022	9,809,741	2,101,049	2,178,081	6,525,629	2,059,714	1,012,517	23,686,731	5,766,742	3,459,962	9,226,704	32,913,435
In-kind services	<u>5,674,522</u>	<u>-</u>	<u>221,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,896,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,896,440</u>
Total expenses and in-kind services	<u>\$ 15,484,263</u>	<u>\$ 2,101,049</u>	<u>\$ 2,399,999</u>	<u>\$ 6,525,629</u>	<u>\$ 2,059,714</u>	<u>\$ 1,012,517</u>	<u>\$ 29,583,171</u>	<u>\$ 5,766,742</u>	<u>\$ 3,459,962</u>	<u>\$ 9,226,704</u>	<u>\$ 38,809,875</u>

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 STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(10,281,944)	\$ 75,790,929
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	821,558	782,936
Realized and unrealized (gains) losses	17,862,613	(6,901,841)
(Increase) decrease in		
Pledges receivable	10,000	(95,000)
Grants receivable	1,428,867	(1,040,703)
Interest receivable	(24,189)	(385,531)
Other assets	17,972	(70,095)
Increase (decrease) in		
Accounts payable and accrued expenses	656,481	(103,242)
Deferred revenue	(50,000)	14,899
Deferred rent	<u>68,260</u>	<u>138,372</u>
Net cash provided by operating activities	<u>10,509,618</u>	<u>68,130,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(50,298,759)	(148,951,990)
Proceeds from sales of investments	38,932,604	25,548,566
Net change in short-term investments	6,293,778	58,231,937
Purchase of leasehold improvements, furniture and equipment	<u>(488,095)</u>	<u>(163,723)</u>
Net cash used for investing activities	<u>(5,560,472)</u>	<u>(65,335,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	<u>(428,572)</u>	<u>(428,571)</u>
Net cash used for financing activities	<u>(428,572)</u>	<u>(428,571)</u>
Net increase in cash and cash equivalents	4,520,574	2,366,943
CASH		
Beginning of year	<u>8,221,188</u>	<u>5,854,245</u>
End of year	<u>\$ 12,741,762</u>	<u>\$ 8,221,188</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	<u>\$ 37,734</u>	<u>\$ 51,576</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 And 2021

(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 regularly 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, 2022 And 2021

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, 2022 And 2021

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 (2019 – 2021) or expected to be taken in the Center’s fiscal 2022 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, 2021, from which the summarized information was derived.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(2) PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 of \$85,000 are all due to be received within one year.

(3) GRANTS RECEIVABLE

Grants receivable at June 30, 2022 and 2021 are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 4,026,383	\$ 4,416,417
Between one year and five years	<u>844,500</u>	<u>1,883,333</u>
	4,870,883	6,299,750
Less: Discount to net present value at 2.21% for 2022 and 1.02% for 2021	<u>(40,997)</u>	<u>(40,997)</u>
	<u>\$ 4,829,886</u>	<u>\$ 6,258,753</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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
	<u>Market</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 4,396,740	\$ 10,690,520
U.S. Government Bonds	3,062,159	2,385,813
Corporate Bonds	41,797,975	43,834,371
Asset Backed Securities	1,562,401	1,633,910
Exchange Traded Funds	47,237,513	70,142,141
Equities	19,038,813	-
Mutual Funds –		
Fixed Income	15,791,557	16,354,136
Equity	1,793,200	2,261,411
Pooled Investment Fund	<u>4,014,207</u>	<u>4,182,499</u>
Total investments	<u>\$138,694,565</u>	<u>\$151,484,801</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

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

	<u>2022</u>	<u>2021</u>
Pooled Investment Fund		
Brennan Legacy Fund	\$ 3,671,690	\$ 3,825,622
Endowment	<u>342,517</u>	<u>356,877</u>
	<u>4,014,207</u>	<u>4,182,499</u>
Other Investments		
Inez Milholland Endowment for Democracy	1,793,200	2,261,411
Brennan Future Fund	25,000,000	25,000,000
Brennan Legacy Fund	96,328,310	96,174,377
Undesignated	<u>11,558,848</u>	<u>23,866,514</u>
	<u>134,680,358</u>	<u>147,302,302</u>
Total investments	<u>\$138,694,565</u>	<u>\$151,484,801</u>

Total investment return on the Center's investments for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of fees of \$407,315 and \$114,410 in 2022 and 2021 respectively	\$ 2,083,228	\$ 757,696
Realized gains	4,155,197	1,462,711
Change in unrealized gains	<u>(22,017,809)</u>	<u>5,439,130</u>
	<u>\$ (15,779,384)</u>	<u>\$ 7,659,537</u>

The following table summarizes the Center's investment return by type of investment for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pooled Investment Fund	\$ (168,292)	\$ 919,454
Other Investments	<u>(15,611,092)</u>	<u>6,740,083</u>
	<u>\$ (15,779,384)</u>	<u>\$ 7,659,537</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, 2022 And 2021

(5) LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 3,371,316	\$ 3,371,316
Furniture and equipment	4,365,553	3,899,783
Construction in progress	<u>70,975</u>	<u>48,650</u>
	7,807,844	7,319,749
Accumulated depreciation	<u>(3,308,372)</u>	<u>(2,486,814)</u>
	<u>\$ 4,499,472</u>	<u>\$ 4,832,935</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 \$928,571 and \$1,357,143 at June 2022 and 2021, respectively.

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

<u>Fiscal Year</u>	
2023	\$ 428,571
2024	428,571
2025	<u>71,429</u>
	<u>\$ 928,571</u>

The Center incurred interest expense for years ended June 2022 and 2021 of approximately \$37,700 and \$51,600, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(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, 2022 and June 30, 2021.

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted for the following purposes and periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for time or special purpose:		
Unexpended earnings on endowment	\$ 138,745	\$ 153,105
Other Programs		-
Inez Milholland Endowment for Democracy	1,793,200	2,261,411
Use in future periods		
Democracy Program	2,727,800	1,950,000
Justice Program	100,000	300,000
General Support	4,589,333	8,050,000
Fellows	454,000	-
Endowment – perpetual in nature:		
General operations	<u>200,000</u>	<u>200,000</u>
	<u>\$ 10,003,078</u>	<u>\$ 12,914,516</u>

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2022:

	<u>2022</u>
Democracy Program	\$ 10,740,980
Justice Program	435,500
Liberty Natural Security Program	700,000
Fellows	492,700
Time restrictions released	<u>5,291,678</u>
	<u>\$ 17,660,858</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(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, 2022 and 2021, 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	2022	2021
Cash and cash equivalents	\$ 12,741,762	\$ 8,221,188
Investments	138,694,565	151,484,801
Pledge receivable (net of reserve)	85,000	95,000
Grants receivable (due within one year)	4,026,383	4,416,417
Interest receivable	<u>409,720</u>	<u>385,531</u>
Total financial assets	155,957,430	164,602,937
Less:		
Board-designated – Brennan Future Fund	(25,000,000)	(25,000,000)
Board-designated – Brennan Legacy Fund	(100,000,000)	(100,000,000)
Net assets with donor restrictions, net of amounts available for general operations within one year	<u>(7,863,745)</u>	<u>(9,206,183)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 23,093,685</u>	<u>\$ 30,396,754</u>

Resources from the Brennan Future Fund and the Brennan Legacy Fund, of \$125 million as of June 30, 2022 and 2021 are only available subject to Board approval.

(9) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

LEASE COMMITMENTS

The Center has various lease agreements for its New York and Washington DC offices, which expire on November 30, 2032 and August 31, 2029, respectively expiring on November 30, 2032. In connection with these leases, the Center received free rent. Rent is being expended on a straight - line basis over the term of the leases. Deferred rent of \$2,102,171 and \$2,033,911 has been recorded as of June 30, 2022 and 2021, respectively. In July 2022, the Center secured a standby letter of credit in the amount of \$2,775,000 to satisfy the required security deposit for the New York office lease. Rent expense for the years ended June 30, 2022 and 2021 was approximately \$2,277,000 and \$2,198,000, respectively. The remaining minimal annual rental payments (excluding utilities, storage, and other such services and fees) under these leases are as follows:

Fiscal Year	
2023	\$ 2,730,000
2024	3,223,000
2025	3,235,000
2026	3,247,000
2027	3,349,000
2028 and thereafter	<u>17,491,000</u>
	<u>\$33,275,000</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

The above remaining minimal rental payments are based upon the estimated occupancy date (after completion of leasehold improvements) for the expansion of space negotiated in fiscal 2022 for both the New York and Washington DC offices.

EQUIPMENT LEASES

The Center leases office equipment under non-cancelable lease commitments expiring through 2025. Total rent expense on office equipment amounted to approximately \$109,000 and \$114,000 in 2022 and 2021, 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:

<u>Fiscal Year</u>	
2023	\$ 69,800
2024	43,700
2025	<u>28,100</u>
	<u>\$141,600</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, 2022 and 2021 were \$1,073,000 and \$1,023,000, 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, 2022 and 2021 was \$5,896,440 and \$9,328,333, 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 20, 2022, 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, 2022

	William J. Brennan Jr. Center For Justice, Inc.	Brennan Center Strategic Fund, Inc.	Eliminations	Consolidated Balance
Assets				
Cash and cash equivalents	\$ 12,492,304	\$ 249,458	\$ -	\$ 12,741,762
Pledges receivable	85,000	-	-	85,000
Grants receivable	4,829,886	-	-	4,829,886
Interest receivable	409,720	-	-	409,720
Other assets	390,785	(20,224)	-	370,561
Investments	138,694,565	-	-	138,694,565
Leasehold improvements, furniture and equipment, net	<u>4,499,472</u>	<u>-</u>	<u>-</u>	<u>4,499,472</u>
	<u>\$ 161,401,732</u>	<u>\$ 229,234</u>	<u>\$ -</u>	<u>\$ 161,630,966</u>
Liabilities				
Accounts payable and accrued expenses	\$ 2,291,994	\$ -	\$ -	\$ 2,291,994
Deferred revenue	4,888	-	-	4,888
Deferred rent	2,102,171	-	-	2,102,171
Note payable	<u>928,571</u>	<u>-</u>	<u>-</u>	<u>928,571</u>
Total liabilities	<u>5,327,624</u>	<u>-</u>	<u>-</u>	<u>5,327,624</u>
Net Assets				
Without donor restrictions	146,071,030	229,234	-	146,300,264
With donor restrictions	<u>10,003,078</u>	<u>-</u>	<u>-</u>	<u>10,003,078</u>
Total net assets	<u>156,074,108</u>	<u>229,234</u>	<u>-</u>	<u>156,303,342</u>
Total Liabilities and Net Assets	<u>\$ 161,401,732</u>	<u>\$ 229,234</u>	<u>\$ -</u>	<u>\$ 161,630,966</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

	William J. Brennan Jr. Center For Justice, Inc.	Brennan Center Strategic Fund, Inc.	Eliminations	Consolidated Balance
Support and Revenue				
Grants, net	\$ 9,452,781	\$ -	\$ -	\$ 9,452,781
Contributions	27,941,072	-	-	27,941,072
Special events net of direct expenses of \$131,423	<u>1,017,022</u>	<u>-</u>	<u>-</u>	<u>1,017,022</u>
Total operating revenue	<u>38,410,875</u>	<u>-</u>	<u>-</u>	<u>38,410,875</u>
In kind services	<u>5,896,440</u>	<u>-</u>	<u>-</u>	<u>5,896,440</u>
Total support and revenue	<u>44,307,315</u>	<u>-</u>	<u>-</u>	<u>44,307,315</u>
Expenses				
Salaries	17,570,793	-	-	17,570,793
Payroll taxes and benefits	4,015,854	-	-	4,015,854
Professional services	5,722,800	-	-	5,722,800
Sub-grants	200,000	-	-	200,000
Occupancy and related interest	2,624,425	-	-	2,624,425
Office expenses	1,396,463	5	-	1,396,468
Travel and meetings	576,288	-	-	576,288
Depreciation	<u>806,807</u>	<u>-</u>	<u>-</u>	<u>806,807</u>
Total expenses - cash	<u>32,913,430</u>	<u>5</u>	<u>-</u>	<u>32,913,435</u>
In kind services	<u>5,896,440</u>	<u>-</u>	<u>-</u>	<u>5,896,440</u>
Total expenses	<u>38,809,870</u>	<u>5</u>	<u>-</u>	<u>38,809,875</u>
Excess (deficit) of revenue over expense	5,497,445	(5)	-	5,497,400
Other Changes				
Investment total return	<u>(15,779,517)</u>	<u>133</u>	<u>-</u>	<u>(15,779,384)</u>
Changes in net assets	<u>(10,282,072)</u>	<u>128</u>	<u>-</u>	<u>(10,281,994)</u>
Net Assets				
Beginning of period	<u>166,356,180</u>	<u>229,106</u>	<u>-</u>	<u>166,585,286</u>
End of period	<u>\$156,074,108</u>	<u>\$229,234</u>	<u>\$ -</u>	<u>\$156,303,342</u>