GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

New England Legal Foundation

December 31, 2022

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GT Reilly & Company
CPAs and Advisors

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Independent Auditors' Report

Board of Directors of
New England Legal foundation

Opinion

We have audited the accompanying financial statements of New England Legal Foundation, which comprise the statements of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, 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 New England Legal Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New England Legal Foundation 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.

Other Matter – Prior Period Financial Statements

The accompanying financial statements of New England Legal Foundation as of December 31, 2021 were audited by other auditors whose report dated July 29, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New England Legal Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New England Legal Foundation'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 New England Legal Foundation'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.

G. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
July 11, 2023

Statements of Financial Position

December 31

		2022		2021
Assets				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**41,998**	$	285,089
Contributions and event revenue receivable		**94,550**		45,616
Other amounts receivable		**13,963**		958
Investments, at fair value		**462,331**		578,778
Prepaid expenses		**40,925**		35,291
TOTAL CURRENT ASSETS		**653,767**		945,732
PROPERTY AND EQUIPMENT, NET		**1,339,848**		62,635
TOTAL ASSETS	**$**	**1,993,615**	$	1,008,367
Liabilities and Net Assets				
LIABILITIES				
Demand line of credit	**$**	**61,195**	$	-
Accounts payable and accrued expenses		**159,831**		52,837
Notes payable		**-**		62,349
TOTAL LIABILITIES		**221,026**		115,186
NET ASSETS				
Without donor restrictions		**1,772,589**		893,181
NET ASSETS		**1,772,589**		893,181
	$	**1,993,615**	$	1,008,367

The accompanying notes are an integral part of these financial statements.

New England Legal Foundation

Statements of Activities and Changes in Net Assets

Years Ended December 31

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions of cash and financial assets	**$ 592,184**	**$ -**	**$ 592,184**	$ 319,658	$ -	$ 319,658
Contributed services	**9,970**	**-**	**9,970**	23,437	-	23,437
Special events revenue, gross - Gala	**586,400**	**-**	**586,400**	644,500	-	644,500
Conference fees and sponsorships	**18,274**	**-**	**18,274**	10,000	-	10,000
Interest and dividend income	**15,822**	**-**	**15,822**	12,826	-	12,826
Net investment (loss) gain	**(121,935)**	**-**	**(121,935)**	68,689	-	68,689
Gain on sale of property	**1,209,108**	**-**	**1,209,108**	-	-	-
Other income	**9,329**	**-**	**9,329**			
PPP loan forgiveness	**-**	**-**	**-**	94,283	-	94,283
TOTAL SUPPORT	**2,319,152**	**-**	**2,319,152**	1,173,393	-	1,173,393
EXPENSES						
Program services	**548,602**	**-**	**548,602**	345,998		345,998
Management and general	**339,070**	**-**	**339,070**	232,204		232,204
Fundraising	**552,072**	**-**	**552,072**	440,068		440,068
TOTAL EXPENSES	**1,439,744**	**-**	**1,439,744**	1,018,270	-	1,018,270
INCREASE IN NET ASSETS	**879,408**	**-**	**879,408**	155,123	-	155,123
NET ASSETS AT BEGINNING OF YEAR	**893,181**	**-**	**893,181**	738,058		738,058
NET ASSETS AT END OF YEAR	**$ 1,772,589**	**$ -**	**$1,772,589**	$ 893,181	$ -	$ 893,181

The accompanying notes are an integral part of these financial statements.

Statements of Functional Expenses

Years Ended December 31

	2022				2021			
	Program Services	General & Administrative	Fundraising	Total	Program Services	General & Administrative	Fundraising	Total
Salaries and related expenses:								
Salaries and wages	$ 311,811	$ 175,700	$ 153,607	$ 641,118	$ 229,682	$ 94,329	$ 172,943	$ 496,954
Employee benefits	36,958	20,244	15,808	73,010	19,463	7,993	14,655	42,111
Payroll taxes	23,695	13,352	11,673	48,720	18,933	7,776	14,256	40,965
	372,464	209,296	181,088	762,848	268,078	110,098	201,854	580,030
Gala expenses	-	-	222,335	222,335	-	-	179,224	179,224
Occupancy	26,428	30,713	13,020	70,161	6,181	4,909	9,002	20,092
Professional fees	25,121	33,557	37,485	96,163	4,190	82,440	666	87,296
Office expenses	22,493	15,931	11,081	49,505	12,052	2,819	4,569	19,440
Contracted personnel	4,859	2,737	2,394	9,990	5,094	16,946	2,691	24,731
Communication fees	29,303	16,512	14,436	60,251	12,500	-	-	12,500
Promotional and advertising	-	-	51,194	51,194	-	-	18,017	18,017
Meetings, conferences and travel	15,331	17,188	7,553	40,072	92	2,338	11,925	14,355
Insurance	5,349	3,014	2,635	10,998	8,058	575	1,053	9,686
Donated services	4,849	2,732	2,389	9,970	2,590	10,028	10,819	23,437
Interest expense	1,987	1,119	979	4,085	-	1,916	-	1,916
Dues and subscriptions	29,289	-	-	29,289	26,833	-	-	26,833
Depreciation	11,129	6,271	5,483	22,883	330	135	248	713
	176,138	129,774	370,984	676,896	77,920	122,106	238,214	438,240
TOTAL FUNCTIONAL EXPENSES	$ 548,602	$ 339,070	$ 552,072	$1,439,744	$ 345,998	$ 232,204	$ 440,068	$1,018,270

The accompanying notes are an integral part of these financial statements.

New England Legal Foundation

Statements of Cash Flows

Years Ended December 31

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 879,408**	$ 155,123
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	**22,883**	713
Gain on sale of property	**(1,209,108)**	-
Net investment loss (gain)	**121,935**	(68,689)
Changes in operating assets and liabilities:		
Contributions and event revenue receivable	**(48,934)**	(25,016)
Other amounts receivable	**(13,005)**	197
Prepaid expenses	**(5,634)**	(22,619)
Accounts payable and accrued expenses	**106,994**	16,734
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(145,461)**	56,443
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to property and equipment	**(1,357,062)**	(5,575)
Proceeds from sale of property	**1,266,074**	-
Proceeds from sale of investments	**471,366**	144,229
Purchases of investments	**(476,854)**	(94,528)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(96,476)**	44,126
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on demand line of credit	**61,195**	-
Principal payments on note payable	**(62,349)**	(3,531)
Proceeds from note payable	**-**	8,672
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(1,154)**	5,141
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(243,091)**	105,710
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**285,089**	179,379
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 41,998**	$ 285,089
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	**$ 4,085**	$ 1,916

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 2022

Note 1 – Organization and Significant Accounting Policies

Foundation and Activities – New England Legal Foundation ("the Foundation") is a nonprofit Foundation that was organized on December 3, 1976, and commenced operations on January 27, 1977. The Foundation's mission is to protect the economic rights of persons and to use the legal system to advance free enterprise principles and regional economic development. Management believes that it is the leading not-for-profit law firm in New England concentrating primarily on economic and property rights. The Foundation works to help create significant precedents at all levels of state and federal courts and agencies, either on behalf of a party or as a friend of the court. The Foundation also undertakes projects to improve judicial and administrative systems in New England when it can make a positive contribution to the economic well-being of the region.

The Foundation is funded by contributions and the net proceeds of an annual gala. It does not receive any fees for its services.

Tax-Exempt Status – The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation files informational tax returns with the Internal Revenue Service (Form 990) and the Commonwealth of Massachusetts (Form PC).

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Accounting Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – As a nonprofit entity, the Foundation is required to present in its statement of financial position and its statement of activities and changes in net assets two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Directors may designate from net assets without donor restrictions amounts to be used for specific purposes.
>
> *Net Assets With Donor Restrictions* – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of certain events, or by the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity, such as an endowment.

Donor-restricted support is recorded as "net assets with donor restrictions" when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of "net assets with donor restrictions" are reclassified to "net assets without donor restrictions" and reported in the statement of activities as "net assets released from restrictions". Contributions are recorded as increases in "net assets without donor restrictions" if the restrictions are met in the year the contribution is made.

The Foundation did not have any net assets with donor restrictions as of December 31, 2022 or 2021.

Note 1 – Organization and Significant Accounting Policies (Cont.)

Contributions – The Foundation follows the Financial Accounting Standards Update (ASU) 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*. The ASU assists entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions, and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. Transactions determined to be contributions are reported as support with or without donor restrictions as described above, "Financial Statement Presentation", under accounting standards for Not-for-Profit entities.

Substantially all of the Foundation's support is derived from transactions that are considered and accounted for as contributions.

Contributed Services – Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their estimated fair market values when the donated services are provided. The estimated fair values of contributed services are reported in the accompanying statements of activities and changes in net assets as support with equivalent amounts reported as expense. During 2022 and 2021, services for certain professional skills, website design and other various services, including legal internships, were recorded by the Foundation.

Special Event Revenue – The Foundation recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers". The standard is based on the principle 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. Under the standard, among other things, revenue is recognized at a point in time (when), or over time (as), a performance obligation is satisfied.

The Foundation's revenues are derived principally from special fundraising events, primarily the annual Gala. Special event revenues are recognized in the amount that reflects the consideration the Foundation expects to be entitled to in exchange for goods or services and they are recognized in the statement of activities once the event has taken place. Expenses related to the special event, including direct benefits to the participant, are reported as such in the fundraising section of the statement of functional expenses.

Cash and Cash Equivalents – For purposes of classification in the statement of financial position, the Foundation considers all highly-liquid deposits and investments with original maturities of three months or less to be cash equivalents.

Contributions and Event Revenue Receivable – Contributions and event revenue receivable primarily consists of amounts due for the Gala event held in December as well as promises by individuals, law firms and other businesses and foundations to give to the Foundation in the short-term. The amounts are stated net of an allowance for doubtful accounts, when considered necessary by management, which would be reported on the face of the Foundation's statement of financial position. Management considers all remaining contributions and other amounts receivable to be fully collectible within one year and accordingly, there is no allowance for doubtful accounts recorded as of December 31, 2022 or 2021.

Note 1 – Organization and Significant Accounting Policies (Cont.)

Property and Equipment – Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized while repairs and maintenance are charged to expense as incurred.

Depreciation and amortization of property and equipment (see Note 2) is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Condominium and improvements	15 – 40 years
Office equipment and furniture	5 – 10 years

Functional Allocation of Expenses – The statement of activities and changes in net assets reports a summary of the Foundation's expenses by function, either program or supporting functions (management and general or fundraising). The statement of functional expenses presents the natural classification of expenses by function. Certain expenses are charged directly to the programs or supporting functions to which they relate. Other expenses require allocation to programs and/or supporting functions, which is made on a reasonable basis, that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and fringe benefits, which are allocated based on estimates of time and effort. Occupancy expenses are allocated based on management's use of the functional area.

Reclassifications in 2021 Statement of Functional Expenses – Certain amounts whose natural classifications were originally reported in the 2021 statement of functional expenses have been retrospectively reclassified and reported to conform with the 2022 natural classifications. These reclassifications had no effect on the original functional classifications of expenses or the increase in net assets of the Foundation as previously reported for 2021.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Foundation for potential recognition or disclosure in the accompanying financial statements. Subsequent events relate to transactions or events which occurred after December 31, 2022 up through July 11, 2023, the date the accompanying financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Condominium and improvements	**$1,325,898**	$ 758,047
Office equipment	**74,702**	43,538
	1,400,600	801,585
Less: Accumulated depreciation	**(60,752)**	(738,950)
	$1,339,848	$ 62,635

Depreciation expense was $22,883 and $713, respectively, for 2022 and 2021.

During 2022, the Foundation sold its condominium for net proceeds of approximately $1.27 million, resulting in a gain of approximately $1.2 million. The Foundation used the proceeds to purchase a new condominium as its headquarters in Boston for approximately $1.1 million with additional renovations of approximately $225,000 completed.

Note 3 – Investments at Fair value

Investments are stated at fair value and consisted of the following at December 31:

	2022		2021	
	Cost	**Fair Value**	Cost	Fair Value
Common stock	**$ 341,139**	**$ 333,581**	$ -	$ -
Mutual fund - equity	**39,152**	**36,595**	-	-
Mutual fund - bond	**11,072**	**10,930**		
Exchange traded funds	**-**	**-**	234,575	475,627
Corporate Bonds	**81,946**	**76,246**	95,215	103,151
Certificate of deposit	**5,029**	**4,979**		
	$ 478,338	**$ 462,331**	$ 329,790	$ 578,778

At December 31, 2022, the investment securities are pledged as collateral to secure the Foundation's borrowings under its line of credit agreement (see Note 4).

The Foundation uses fair value measurements to record fair value adjustments to its investments, and to determine fair value disclosures. Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, quoted market prices are not available; therefore, fair values are based upon estimates using present value or other valuation techniques. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed, based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available to management.

Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs and assumptions used in measuring fair value, and gives the highest priority to quoted prices in active markets for identical assets and liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions which are significant to the fair measurement. Level 3 inputs include fair value measurements whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as significant management judgment or estimation.

Note 3 – Investments at Fair value (Cont.)

The Organization's investments by industry/segment are valued using Level 1 or Level 2 inputs as follows at December 31:

2022

	Level 1	Level 2	Level 3	Total
Common stock:				
Communication	$ 15,352	$ -	$ -	$ 15,352
Consumer	69,083	-	-	69,083
Energy	22,075	-	-	22,075
Financial services	55,652	-	-	55,652
Healthcare	53,199	-	-	53,199
Industrials	31,671	-	-	31,671
Real Estate	6,897	-	-	6,897
Technology	67,633	-	-	67,633
Utilities	12,019	-	-	12,019
	333,581	-	-	333,581
Mutual fund - equity	36,595	-	-	36,595
Mutual fund - bond	10,930	-	-	10,930
Corporate bonds	-	76,246	-	76,246
Certificate of deposit	-	4,979	-	4,979
	$ 381,106	$ 81,225	$ -	$ 462,331

2021

	Level 1	Level 2	Level 3	Total
Exchange traded funds	475,627	-	-	475,627
Corporate bonds	-	103,151	-	103,151
	475,627	103,151	-	578,778

Investments, with the exception of the certificates of deposit, are not insured and are subject to ongoing market fluctuations.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Note 4 – Line of Credit

During 2022, the Foundation entered into a demand line of credit agreement (referred to as a loan management account) with the institution in which its investments are held and maintained. The borrowings are intended to fund general business operations; however they may not be used to purchase investments on margin. Borrowings accrue interest at a variable rate, which was 6.07% at December 31, 2022, and are secured by the Foundation's investment securities held at the institution (see Note 3). The line allows for maximum borrowings totaling the lesser of $297,000 or the collateral amounts. There is no commitment term by the lender, however it is expected to be available as long as adequate collateral is available. Borrowings outstanding are $61,195 at December 31, 2022.

<u>Subsequent Event</u> - In June of 2023, the Foundation entered into a line of credit agreement with its principal bank to borrow up to $160,000 for working capital purposes. Borrowings will accrue interest at the greater of the prime rate plus 150 basis points or 5%. Borrowings are secured primarily with a mortgage on the condominium property, along with a security interest in other assets of the Foundation.

Note 5 – Note Payable

The Foundation's previous condominium was part of a condominium association which established a reserve fund. To the extent such reserve funds were not adequate to fund required improvements, the Foundation was subject to special assessments from the condominium association. Due to improvements to the building completed in 2020 and 2021, the Foundation was assessed a $65,880 special assessment that was to be repaid over 10-years at an interest rate of 4.375%. Monthly payments of $680.85 began on May 2021 and the balance at December 31, 2021 was $62,349. During 2022, in conjunction with the sale of the condominium, the note was repaid in full and there is no outstanding balance as of December 31, 2022.

Note 6 – Retirement Plan

During 2022, the Foundation established a 401k plan for the benefit of its employees. Through a salary-reduction program, the plan allows eligible employees, as defined, to contribute on a tax-deferred basis. The plan allows the Foundation to match a portion of employee contributions and to also make nonelective contributions at its discretion. The Foundation's contributions to the plan were approximately $13,000 for the year ended December 31, 2022.

Note 7 – Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	2022	2021
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	**$ 41,998**	$ 285,089
Contributions and event revenue receivable	**94,550**	45,616
Other amounts receivable	**13,963**	958
Investments, at fair value	**462,331**	578,778
	$ 612,842	$ 910,441

The Foundation's expenditures and commitments are entirely funded by contributed support and existing cash and investment balances. The Foundation takes into consideration committed funding as well as its funding pipeline of expected contributions, including renewal contributions from sponsoring legal firms, when setting its annual expenditure budget. The annual budget is approved by the Board of Directors who will also review financial statements throughout the year and, in the event that a funding shortfall is expected, spending is adjusted, as necessary. The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of operating expense.

The Foundation has a line of credit to fund general operations with available borrowings of approximately $232,000 as of December 31, 2022. The Foundation also maintains corporate credit cards with a total borrowing limit of $25,000.

Management has determined that the Foundation's financial assets and liquidity resources at December 31, 2022 are more than sufficient to meet its general expenditures in 2023.

Note 8 – Financial Instruments, Concentrations, Credit Risk and Related Party Support

The Foundation's financial instruments that may be subject to concentrations of credit risk consist of cash, cash equivalents, contributions receivable and investments. A summary of credit risks and other concentrations and risks follows.

Cash and Cash Equivalents – The Foundation maintains its cash accounts at high-quality financial institutions within the United States of America. Cash held at those financial institutions may occasionally exceed the amount of insurance provided on such accounts. Based on bank balances at December 31, 2022, there were no amounts in excess of the FDIC insured limits.

Contributions Receivable and Support – As of December 31, 2022, The Foundation has recorded a contribution receivable from one corporation in the amount of $25,000, or 23% of its total accounts receivable.

In 2022, the Foundation received a contribution from a private foundation in the amount of $135,000 or 22% of the Foundation’s total contributions.

In addition, during 2022 the Foundation received support from members of its Board of Directors, both individually and from the companies that they own and/or are employed by. Individual donations totaled approximately $48,000 while corporate donations and Gala sponsorships totaled approximately $439,000 in 2022 from these related parties.

Investments – The Foundation’s investments at December 31, 2022 consist of various equity, fixed income and certificates of deposit investments that are managed and maintained by Merrill, a Bank of America company. See Note 3.

Loan Management Account – The Foundation has a loan management account with Merrill with outstanding borrowings of approximately $61,000 or 28% of total liabilities as of December 31, 2022. The borrowing commitment can be cancelled by Merrill at any time. See Note 4.

Note 9 - Paycheck Protection Program

In May 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of $94,300 (the PPP Loan). This loan was fully forgiven in November 2020. In February 2021, the Foundation received a second PPP loan in the amount of $94,283. This loan was fully forgiven in June 2021 and reported as support in the 2021 statement of activities and changes in net assets.

Eligibility for PPP loan forgiveness is self-determined. Management made a determination that the Foundation met the established criteria and that its PPP loans were eligible for forgiveness by the SBA. SBA audits of loan forgiveness applications can take place after a PPP loan is forgiven and the statute of limitations for an audit is generally 6 years. The IRS has also announced that it believes it has the right to audit the use of PPP loan funds and the loan forgiveness from an income tax perspective. The statute of limitations for IRS audits is generally 3 years.