Audited Financial Statements

National Legal and Policy Center

Falls Church, VA

December 31, 2022

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AUDITED FINANCIAL STATEMENTS

CPAS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Legal and Policy Center
Falls Church, VA

Opinion
We have audited the accompanying financial statements of National Legal and Policy Center (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and the related statements of activities and change 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 National Legal and Policy Center as of December 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Legal and Policy Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 National Legal and Policy 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 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.

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- 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 National Legal and Policy 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 National Legal and Policy 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.

CST Group, CPAs, PC

December 5, 2023

National Legal and Policy Center

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

CURRENT ASSETS	
Cash and cash equivalents	$ 258,668
Investments, at fair value	986,927
Prepaid expenses and other	20,320
	1,265,915
ASSETS UNDER SPLIT-INTEREST AGREEMENTS	**322,568**
PROPERTY AND EQUIPMENT	
Land	61,050
Building	506,550
Equipment	30,725
	598,325
Less: Accumulated depreciation	(278,517)
	319,808
	$ 1,908,291

CURRENT LIABILITIES	
Accounts payable and accruals	$ 14,558
Credit card payable and other	14,331
	28,889
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS	**214,388**
NET ASSETS	
Net assets without donor restrictions	1,665,014
	$ 1,908,291

See notes to financial statements.

National Legal and Policy Center

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
SUPPORT AND REVENUE			
Contributions	$ 2,386,136	$ 0	$ 2,386,136
TOTAL SUPPORT AND REVENUE FROM OPERATIONS	**2,386,136**	**0**	**2,386,136**
EXPENSES			
Program services:			
Government Integrity Project	897,301	0	897,301
Corporate Integrity Project	1,121,626	0	1,121,626
TOTAL PROGRAM SERVICES	**2,018,927**	**0**	**2,018,927**
Support Services			
Fundraising	392,569	0	392,569
Management and general	392,569	0	392,569
TOTAL SUPPORT SERVICES	**785,138**	**0**	**785,138**
TOTAL PROGRAM AND SUPPORT SERVICES	**2,804,065**	**0**	**2,804,065**
OPERATING LOSS	**(417,929)**	**0**	**(417,929)**
NON-OPERATING ACTIVITIES			
Interest and dividends	10,384	0	10,384
Gain on extinguishment of debt (PPP loan)	0	0	0
Gain on sale of property	80,298	0	80,298
Change in value of assets and liabilities under split-interest agreements	(80,934)	0	(80,934)
Realized and unrealized gains and losses on investments	(21,772)	0	(21,772)
TOTAL NON-OPERATING ACTIVITIES	**(12,024)**	**0**	**(12,024)**
CHANGE IN NET ASSETS	**(429,953)**	**0**	**(429,953)**
NET ASSETS, beginning of year as previously stated	2,038,762	660	2,039,422
Prior period adjustment	56,205	(660)	55,545
NET ASSETS, END OF YEAR	**$ 1,665,014**	**$ 0**	**$ 1,665,014**

See notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$(429,953)
Adjustments to reconcile changes in net assets	
to net cash provided by operating activities:	
Depreciation and amortization	12,988
Change in value of assets and liabities under split-interest agreements	80,934
Realized and unrealized gains and losses on investments	21,772
Interest and dividends	(10,384)
Gain on sale of building	(80,298)
(Increase) decrease in assets:	
Prepaid expenses and other	24,512
Increase (decrease) in liabilities:	
Accounts payable and accruals	9,515
Credit card payable and other	(495)
NET CASH USED IN OPERATING ACTIVITIES	**(371,409)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of building	762,058
Net change in investments	(1,240,667)
Mortgage payments	696,555
NET CASH PROVIDED BY INVESTING ACTIVITIES	**217,946**
NET DECREASE IN CASH	(153,463)
Cash, beginning of the year	412,131
CASH , END OF YEAR	**$ 258,668**

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services			Support Services		
	Government Integrity	Corporate Integrity	Total Program Services	Fundraising	Management & General	Total
Salaries and employee benefits	$ 368,919	$ 461,149	$ 830,068	$ 161,402	$ 161,402	$ 1,152,872
Direct Mail	304,044	380,054	684,098	133,019	133,019	950,136
Professional Fees	83,061	103,826	186,887	36,339	36,339	259,565
Insurance and Medical Reimbursement	65,252	81,565	146,817	28,548	28,548	203,912
Occupancy	9,678	12,097	21,775	4,234	4,234	30,243
List rental	10,706	13,382	24,088	4,684	4,684	33,455
Travel	8,232	10,290	18,522	3,602	3,602	25,725
Consulting	4,896	6,120	11,016	2,142	2,142	15,300
Office Supplies	9,834	12,292	22,126	4,302	4,302	30,731
Miscellaneous	32,680	40,850	73,531	14,298	14,298	102,126
	$ 897,301	**$ 1,121,626**	**$ 2,018,927**	**$ 392,569**	**$ 392,569**	**$ 2,804,065**

See notes to financial statements.

NOTE A - NATURE OF ACTIVITIES

National Legal and Policy Center (the Center) was organized as a nonstock, nonprofit corporation within the District of Columbia in 1991. The Center was founded to promote public service ethics and accountability in government through the advocacy of the 10-point "Code of Ethics for Government Service" passed by the Senate in 1958. This Code of Ethics, which is widely distributed by the Center, is the focal point for the Center's activities.

The Center engages in nonpartisan study, analysis, and research for the general public on issues relating primarily to ethics and accountability. The results of these activities are documented by the Center and made available to the general public through quarterly and biweekly newsletters, reports, letters, the Internet, conferences, and other means of communication. The Center publicizes, on a nonpartisan basis, corruption, abuses, and the misappropriation of funds to educate and, consequently, motivate the general public and the government to exert pressure and sanctions against unethical behavior and the misuse of funds.

The major programs of the Center are as follows:

Government Integrity Project (GIP)
This project focuses on the accountability and ethics of government bureaucracies and employees. The Center investigates and exposes to the government and the general public unethical or illegal practices of government agencies, public officials, and government employees, as well as organizations and individuals that impact the governmental process.

Corporate Integrity Project (CIP)
This project promotes integrity in corporate governance, including honesty and fair play in relationships with shareholders, employees, business partners and customers. The Center exposes and publicizes the influence of corrupt corporate executives on public officials and political systems.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation
The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate

documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue and Revenue Recognition in Accordance with Contribution Accounting

All unconditional contributions and grants are recognized when received and are considered available to the general programs of the Center unless specifically restricted by the donor. The Center reports monetary gifts as support with donor restrictions if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give are those with a measurable performance or other barrier and right of return. The Society recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Center received contributed stock with a fair value of $39,833 during the year ended December 31, 2022.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. The Center capitalizes all asset additions with a cost greater than $5,000. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	39 years
Machinery and equipment	5 - 7 years

Depreciation expense for the year ended December 31, 2022 totaled $12,988.

When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected on the statement of activities. Maintenance and repairs are charged to expense as incurred.

On December 1st, 2021, the Organization purchased a townhouse office as an investment for $681,760. On February 16, 2022 the property was sold for $762,058, resulting in a gain from the sale of $80,298.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

Income Taxes

The Center is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended 2022, there was no unrelated business income. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

Statement of Financial Accounting Standard ASC Topic 740, *Income Taxes* (ASC Topic 740) addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC Topic 740. Generally, the Center's tax returns remain open for three years for Federal income tax examination.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Center's financial assets at December 31, 2022:

	2022
Cash and cash equivalents	$ 258,668
Investments	986,927
Financial assets available to meet general expenditures over the next twelve months	**$ 1,245,595**

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center's goal is generally to maintain financial assets to meet six months of operating expenses, which approximates $1,402,032. As part of its liquidity plan, excess cash is invested in various money market funds, equities, and mutual funds.

NOTE D - SPLIT-INTEREST AGREEMENTS

The Center is the beneficiary of a number of split-interest agreements with donors. The Center may control donated assets and shares with the donor or the donor's designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are generally for the Center's unrestricted use.

The Center records the assets of the agreements (at fair value) if the assets are controlled and invested by the Center. The Center records contribution revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. Adjustments to the annuity liabilities to reflect amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a change in valuation of split-interest agreements.

The discount rate used in valuing split-interest agreement liabilities ranged from 1.2 percent to 4.5 percent for the year ended December 31, 2022.

All gifts are without donor restrictions except for those governed by states that require segregation of the contributed assets of the donor, which are classified as with donor restrictions. Where applicable, the Center complies with the reserve requirements of individual states that have such requirements, including California and Florida. The balance of these reserve accounts approximated $25,000 at December 31, 2022.

Contributions for split-interest agreements were as follows for the years ended December 31:

	2022
Without Donor Restrictions	25,000
With Donor Restrictions	-
	25,000

NOTE E - TAX-DEFERRED ANNUITY PLAN

The Center has a tax-deferred annuity plan (the Plan), qualified under Section 403(b)(7) of the IRC. The Plan covers full-time employees of the Center. Employees may make contributions to the Plan up to the maximum allowed by the IRC. The Center made a discretionary contribution at year end equal to 100 percent of employee deferrals. Contributions to the Plan by the Center for the year ended December 31, 2022 was $84,000 and is included within salary and benefit expenses.

NOTE F - CONCENTRATIONS OF CREDIT RISK

The Center maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE G - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 input:	Unadjusted quoted market prices in active markets for identical assets that the Society has the ability to access at the measurement date.
Level 2 input:	Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3 input:	Unobservable inputs used for valuing the asset or liability not corroborated by market data

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at December 31, 2022.

Money Market funds
These funds are valued at the closing price reported on the active market on which the individual securities are traded.

Equity securities
These investments are stock securities and are valued at the closing price reported on the active market on which the individual securities are traded.

Bond funds
Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Equity funds
Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

NOTE G - FAIR VALUE MEASUREMENTS (continued)

The Center's assets and liabilities are reported at fair value in the accompanying statement of financial position as of December 31, 2022 and consist of the following:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Investments				
Equity Securities	$ 277,981	$ 277,981	$ -	$ -
Bond Funds	708,946	708,946	-	-
Total Investments	986,927	986,927	-	-
Assets Under Split Interest Agreements				
Mutual Funds	191,463	191,463	-	-
Bond Funds	120,787	120,787		-
Money Market Funds	6,201	6,201	-	-
Cash or cash equivalents	4,117	4,117	-	-
Total Assets Under Split Interest Agreements	322,568	322,568	-	-
Total Financial Assets	**1,309,495**	**1,309,495**	**-**	**-**
Financial Liabilities				
Liabilities Under Split-Interest Agreements	**$ 214,388**	**$ 214,388**		

NOTE H - LIFE INSURANCE

The Center owns a term life insurance policy on the life of the Chairman, where the Center is the beneficiary. The face value of the policy for the current Chairman is $2,500,000.

NOTE I - RELATED PARTY RECEIVABLE

The Center provided a loan to an employee in the amount of $15,000 in 2017 and $15,000 in 2018, with an interest rate of 4.5 percent. The balance of the loan was $6,500 at December 31, 2022. The balance is included in prepaid expenses and other on the accompanying statements of financial position. This loan was paid in full subsequent to year end.

NOTE J – PRIOR PERIOD ADJUSTMENT

Center discovered a discrepancy in the December 31, 2021 statement of financial position where cash (and cash equivalents) and net assets were understated by $55,545. This did not have an impact on the statement of activities in the prior year. As a result, the opening statement of financial position accounts for cash (and cash equivalents) and net assets for the year ended December 31, 2022 have been restated. The cumulative effect of the restatement at December 31, 2021 was a $55,545 increase in cash and net assets.

NOTE K - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is December 5, 2023 which is the date on which the financial statements were available to be issued.